New Issue – Book-Entry Only **Ratings:** See "Ratings" herein.

In the opinion of Winston & Strawn LLP and the Hardwick Law Firm, LLC, Co-Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Series 2015 Bonds is not included in gross income for federal income tax purposes and is not includable in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, assuming compliance with certain covenants and the accuracy of certain representations, except that no opinion is expressed by Co-Bond Counsel as to the exclusion from such gross income and such taxable income of interest on any Series 2015 Bond during the period that such Series 2015 Bond is held by a "substantial user" of the facilities refinanced by the Series 2015 Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code, as amended. In the further opinion of Co-Bond Counsel, interest on the Series 2015 Bonds is treated as an item of tax preference to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations. See "Tax Matters" in this Official Statement.

$167,260,000
New York Transportation Development Corporation
Special Facility Revenue Refunding Bonds, Series 2015
(Terminal One Group Association, L.P. Project)

Dated: Date of Issuance **Due:** January 1, as shown on the inside front cover

The Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project) (the "Series 2015 Bonds") are being issued by the New York Transportation Development Corporation (the "Issuer") for the purpose of (i) defeasing and redeeming all outstanding New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (Terminal One Group Association, L.P. Project) previously issued to, among other things, refinance the construction of a new passenger terminal facility at John F. Kennedy International Airport (the "Airport") known as Terminal One and (ii) paying certain costs of issuance related to the issuance of the Series 2015 Bonds. Terminal One is a 10-gate international terminal at the Airport that has been operating since May 1998.

Interest on the Series 2015 Bonds will be payable semi-annually on each January 1 and July 1, commencing July 1, 2016. The Series 2015 Bonds are issuable as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The Series 2015 Bonds, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal or redemption price of, and interest on, the Series 2015 Bonds will be made. Individual purchases of the Series 2015 Bonds will be made in book-entry form only.

The Series 2015 Bonds will be subject to extraordinary optional redemption and mandatory redemption prior to maturity at the redemption price, in the manner and at the times set forth in this Official Statement. See "DESCRIPTION OF THE SERIES 2015 BONDS — Redemption Provisions."

The Series 2015 Bonds are special and limited revenue obligations of the Issuer, payable by the Issuer as to the principal, redemption price, and interest thereon, solely out of the Trust Estate pledged under the Indenture referred to herein. Neither the Series 2015 Bonds, the principal thereof, the interest thereon, nor the redemption price thereof, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State of New York (the "State"), the New York Job Development Authority, the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer), and none of the State, the New York Job Development Authority, the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer) shall be liable on the Series 2015 Bonds. The Issuer has no power of taxation.

The Series 2015 Bonds are payable (except to the extent payable from certain moneys held under the Indenture referred to herein and pledged therefor) solely from and secured by a pledge of substantially all right, title and interest of the Issuer in and to the Loan Agreement and the Note, each as referred to herein, including all loan repayments, revenues and receipts payable by, or receivable thereunder from Terminal One Group Association, L.P. ("TOGA"). Under a Cost Sharing Agreement among TOGA and its four signatory air carriers, Société Air France, Japan Airlines Co., Ltd., Korean Air Lines Co., Ltd. and Deutsche Lufthansa Aktiengesellschaft (each a "Signatory Carrier" and, together, the "Signatory Carriers") and separate Facility Use and Lease Agreements between TOGA and each Signatory Carrier, each Signatory Carrier is obligated to pay its Prorata Share (defined herein) of TOGA's loan repayment obligations under the Loan Agreement and the Note, including full and prompt payment of the principal or redemption price of, and interest on, the Series 2015 Bonds.

The Series 2015 Bonds will not be secured by any mortgage lien on, or security interest or other interest in, Terminal One or by the leasehold interest of TOGA in Terminal One.

The Series 2015 Bonds are offered when, as and if issued by the Issuer and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Winston & Strawn LLP and the Hardwick Law Firm, LLC, both of New York, New York, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon by D. Seaton and Associates, P.A., P.C., New York, New York, Disclosure Counsel. Certain legal matters will be passed upon for the Issuer by its General Counsel, for TOGA by its counsel, Sidley Austin LLP, New York, New York, and for the Underwriters by their counsel, Nixon Peabody LLP, New York, New York. It is expected that delivery of the Series 2015 Bonds will take place through the facilities of DTC on or about December 23, 2015 in New York, New York.

Citigroup **Ramirez & Co., Inc.**

December 15, 2015

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

$167,260,000
NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION
SPECIAL FACILITY REVENUE REFUNDING BONDS, SERIES 2015
(TERMINAL ONE GROUP ASSOCIATION, L.P. PROJECT)

MATURITY (JANUARY 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP No.*
2017	$20,390,000	5.00%	0.95%	650116AA4
2018	21,590,000	5.00	1.32	650116AB2
2019	22,675,000	5.00	1.60	650116AC0
2020	23,805,000	5.00	1.85	650116AD8
2021	24,995,000	5.00	2.03	650116AE6
2022	26,245,000	5.00	2.20	650116AF3
2023	27,560,000	5.00	2.35	650116AG1

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of McGraw-Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the registered owners of the applicable Series 2015 Bonds and the Issuer and the Underwriters do not make any representation with respect to such numbers nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION

Directors

Name	Affiliation
George J. Haggerty	Former New York State Deputy Secretary for Financial Services
Andrew Kennedy	Deputy Director of State Operations for Policy
Howard A. Zemsky	President & Chief Executive Officer of the New York State Urban Development Corporation d/b/a Empire State Development
Kathleen Mize	Deputy Chief Financial Officer and Controller of the New York State Urban Development Corporation d/b/a Empire State Development
Mehul Patel	Chief Operating Officer, Midwood Investment & Development

Officers

Name	Title
Howard A. Zemsky	President & Chief Executive Officer
Elizabeth R. Fine	Executive Vice President – Legal and General Counsel
Maria Cassidy	Deputy General Counsel
Robert M. Godley	Treasurer
Debbie Royce	Secretary
Rose-Marie Mahase	Assistant Secretary

The Bank of New York Mellon
Trustee

Winston & Strawn LLP
The Hardwick Law Firm, LLC
Co-Bond Counsel

D. Seaton and Associates, P.A., P.C.
Disclosure Counsel

No dealer, broker, salesperson or other person has been authorized by the Issuer, TOGA or the Underwriters of the Series 2015 Bonds to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Series 2015 Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement (which term shall be deemed to include the Appendices to this Official Statement and all documents incorporated herein by reference) has been obtained from the Issuer, TOGA, the Signatory Carriers referred to herein and other sources deemed reliable. The information concerning DTC has been obtained from DTC. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the Issuer, TOGA or the Signatory Carriers referred to herein since the date of this Official Statement

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Issuer, TOGA or the Signatory Carriers. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Other than with respect to the information under the captions “THE ISSUER” and “THE ISSUER – Litigation,” none of the information in this Official Statement has been supplied or verified by the Issuer, and the Issuer makes no representation or warranty, express or implied, as to: (i) the accuracy or completeness of such information, except with respect to such information under the aforesaid captions; (ii) the validity of the Series 2015 Bonds; or (iii) the tax-exempt status of the interest on the Series 2015 Bonds.

The Underwriters have provided the following sentence and paragraph for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$167,260,000
New York Transportation Development Corporation
Special Facility Revenue Refunding Bonds, Series 2015
(Terminal One Group Association, L.P. Project)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and Appendices hereto, is to furnish information in connection with the sale by the New York Transportation Development Corporation (the "Issuer") of its $167,260,000 aggregate principal amount of Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project) (the "Series 2015 Bonds"). Unless otherwise indicated herein, capitalized terms used in this Official Statement are defined in "APPENDIX C - GLOSSARY OF TERMS."

Proceeds of the Series 2015 Bonds will be used, together with certain other available moneys, to (i) defease and redeem all outstanding New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (Terminal One Group Association, L.P. Project) (the "Prior Bonds") previously issued to refinance the demolition of an existing facility and the construction of a new passenger terminal facility at John F. Kennedy International Airport (the "Airport") known as Terminal One ("Terminal One" or the "Facility") and to finance certain capital improvements and the acquisition of certain equipment for the Facility, and (ii) pay certain costs of issuance related to the issuance of the Series 2015 Bonds, for the benefit of Terminal One Group Association, L.P., a New York limited partnership ("TOGA" or, as used in APPENDICES C, D and E hereto, the "Borrower"). The general partner of TOGA is Terminal One Management, Inc., a New York corporation. The four limited partners of TOGA are Société Air France (formerly known as Compagnie Nationale Air France) ("Air France"), Japan Airlines Co., Ltd. ("JAL"), Korean Air Lines Co., Ltd. ("Korean Air") and Deutsche Lufthansa Aktiengesellschaft ("Lufthansa German Airlines"). Air France, JAL, Korean Air and Lufthansa German Airlines are collectively referred to herein from time to time as the "Signatory Carriers." See "TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS" herein for a further description of TOGA and each of the Signatory Carriers.

The premises on which Terminal One is located are subject to the terms of the Amended and Restated Agreement of Lease of the Municipal Air Terminals dated November 24, 2004 (the "Basic Lease"), between The City of New York (the "City") and The Port Authority of New York and New Jersey (the "Port Authority") expiring on December 31, 2050. The Terminal One premises, together with all buildings, structures, improvements and fixtures on such premises (collectively, the "Site"), have been subleased to TOGA pursuant to an Agreement of Lease (Lease No. AYC-190), dated July 13, 1994 (the "Site Lease"), between the Port Authority and TOGA, as amended. The Site Lease has a term ending on May 27, 2023.

Pursuant to a Loan Agreement, dated as of December 1, 2015 (as amended or supplemented from time to time, the "Loan Agreement"), between the Issuer and TOGA, the Issuer agrees to lend to TOGA an amount equal to the principal amount of the Series 2015 Bonds

and any refunding bonds that may hereafter be issued by the Issuer for the benefit of TOGA under the provisions of the Loan Agreement (the Series 2015 Bonds and any such refunding bonds being collectively referred to herein as the "Bonds"), and the Issuer agrees to repay the principal and redemption price of, and interest on, the Bonds, solely from moneys received from TOGA under the Loan Agreement and the Note (as hereinafter defined). As evidence of its obligation to repay the Bonds, TOGA will execute and deliver to the Issuer a promissory note (the "Note").

Pursuant to the Indenture of Trust, dated as of December 1, 2015 (as amended or supplemented from time to time, the "Indenture"), between the Issuer and The Bank of New York Mellon, acting as trustee thereunder (the "Trustee"), the Issuer has assigned to the Trustee, among other things, all right, title and interest of the Issuer in and to the Loan Agreement and the Note, including all loan repayments, revenues and receipts payable by, or receivable thereunder from, TOGA, excluding certain reserved rights of the Issuer (the "Issuer's Reserved Rights") which may be enforced by the Issuer and the Trustee jointly or severally. For a more complete description of the security for the Bonds, see "SECURITY FOR THE SERIES 2015 BONDS" herein.

In connection with the issuance by the New York City Industrial Development Agency ("NYCIDA") of a series of bonds in 1994 (the "NYCIDA 1994 Bonds") to finance for TOGA and the Signatory Carriers the construction of Terminal One, TOGA entered into substantially similar Facility Use and Lease Agreements (collectively, as amended to date, the "Use Agreements") with each of the Signatory Carriers, pursuant to which each Signatory Carrier has leased, on a common or preferential use basis, premises in Terminal One and has been granted certain rights to use the Facility. Under the Use Agreements, each Signatory Carrier absolutely, unconditionally and irrevocably agreed and promised to pay its pro-rata share (the "Prorata Share") of, among other things, TOGA's payment of debt service on the NYCIDA 1994 Bonds. The Use Agreements were amended by TOGA and the Signatory Carriers in connection with the issuance by NYCIDA of the Prior Bonds (which refunded the NYCIDA 1994 Bonds) to obligate the Signatory Carriers to, among other things, pay their Prorata Share of TOGA's payment of debt service on the Prior Bonds. Upon defeasance of the Prior Bonds, while the Use Agreements will remain in full force and effect, the obligation of TOGA and the Signatory Carriers to pay debt service thereon will be eliminated. In connection with the issuance of the Series 2015 Bonds, TOGA and the Signatory Carriers will enter into a Cost Sharing Agreement, to be dated the date of delivery of the Series 2015 Bonds (the "Cost Sharing Agreement"), which incorporates by reference all covenants, representations and warranties of the Use Agreements. Under the Cost Sharing Agreement, each Signatory Carrier absolutely, unconditionally and irrevocably agrees and promises to pay its Prorata Share (as determined under the Use Agreements) of TOGA's payments due under the Loan Agreement and the Note in sufficient amounts to timely pay debt service on the Series 2015 Bonds, and to make additional payments in the event one or more of the other Signatory Carriers is in default with respect to the payment of its Prorata Share, in the same manner as if such payments relating to the Series 2015 Bonds were being made with respect to the Prior Bonds under the Use Agreements. As of 2014 the Prorata Share of costs for the Signatory Carriers is as follows: Air France – 34.84%; JAL – 18.35%; Korean Air – 16.86%; and Lufthansa German Airlines – 29.96%. See "SUMMARY OF CERTAIN PROVISIONS OF THE COST SHARING AGREEMENT" and "SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS" herein.

Under the Loan Agreement, TOGA has covenanted to establish and assess, and to revise from time to time as necessary, rentals, fees and charges under the Cost Sharing Agreement and the Use Agreements to produce revenues in each calendar year in which Bonds are Outstanding that, together with any cash balance held in the Bond Fund on the last day of such calendar year not then required to be deposited in any Fund (or Account or Subaccount thereof) established under the Indenture, shall equal an amount not less than the greater of (i) the aggregate amounts required during such calendar year to be paid by TOGA under the Loan Agreement and the Note and (ii) 125% of the Annual Debt Service with respect to the Bond Year commencing during such calendar year. See "SECURITY FOR THE SERIES 2015 BONDS — Rate Covenant."

The Series 2015 Bonds are special and limited revenue obligations of the Issuer, payable by the Issuer as to the principal, redemption price, and interest thereon, solely out of the Trust Estate pledged under the Indenture referred to herein. Neither the Series 2015 Bonds, the principal thereof, the interest thereon, nor the redemption price thereof, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State of New York (the "State"), the New York Job Development Authority ("JDA"), the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer), and none of the State, JDA, the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer) shall be liable on the Series 2015 Bonds. The Issuer has no power of taxation.

See the section of this Official Statement entitled "TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS" and APPENDICES A and B for information about the financial condition, the business and the operations of TOGA and each of the Signatory Carriers, including certain recent developments with respect to the Signatory Carriers. That section and those Appendices have been prepared by or on behalf of TOGA and the Signatory Carriers for inclusion herein to provide information on the financial condition, the business and the operations of TOGA and the Signatory Carriers. These materials should be read carefully in order to evaluate the ability of TOGA to meet its obligations under the Loan Agreement and the Note and each of the Signatory Carriers to meet its obligations under the Cost Sharing Agreement and its Use Agreement. The sole source for the payment of principal and redemption price of, and interest on, the Bonds (except to the extent payable from the proceeds of the Bonds, if any) will be the payment by TOGA of loan payments, revenues and receipts under the Loan Agreement and the Note.

The Facility is TOGA's only asset. Its ability to pay its obligations under the Loan Agreement and the Note is dependent upon payment of certain amounts owed to TOGA by the Signatory Carriers under the Cost Sharing Agreement and the respective Use Agreements. For the year ended December 31, 2014, payments by the Signatory Carriers constituted approximately 10% of TOGA's revenues. TOGA's other revenues are derived principally from Contract Carriers and concessions, but such revenues are not pledged by TOGA to the payment of the Bonds. See "TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS — Terminal One" and APPENDIX A.

Neither the Bonds nor the obligations of TOGA under the Loan Agreement and the Note will be secured by any mortgage, security interest or other interest in the Facility or any other property or by the leasehold interest of TOGA in the Facility.

The Series 2015 Bonds will be issued as fully registered Bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2015 Bonds. Purchases of Series 2015 Bonds will be made only in book-entry form through DTC participants in the denomination of $5,000 or any integral multiple of thereof, and no physical delivery of Series 2015 Bonds will be made to purchasers. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders," "Holders" or "registered owners" shall mean Cede & Co., and shall not mean the beneficial owners of the Series 2015 Bonds. See "DESCRIPTION OF THE SERIES 2015 BONDS — Book-Entry Only System" and APPENDIX H.

Brief descriptions of the Issuer, TOGA, the Signatory Carriers, the Airport, the Series 2015 Bonds, the Site Lease, the Loan Agreement, the Note, the Cost Sharing Agreement, the Use Agreements and the Indenture are included in this Official Statement.

APPENDIX A to this Official Statement furnishes information with respect to TOGA. Neither the Issuer nor any of the Underwriters makes any representation or warranty as to the accuracy or completeness of information contained in APPENDIX A.

APPENDIX B to this Official Statement furnishes certain financial information with respect to Air France. Neither the Issuer nor any of the Underwriters makes any representation or warranty as to the accuracy or completeness of information contained in APPENDIX B.

The descriptions herein of the Site Lease, the Loan Agreement, the Note, the Cost Sharing Agreement, the Use Agreements and the Indenture are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2015 Bonds are qualified in their entity by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained during the initial offering period from the principal offices of the Underwriters and, after the initial delivery of the Series 2015 Bonds, at the principal corporate trust office of the Trustee in New York, New York. All capitalized terms used herein (including in the Appendices) and not defined herein or in APPENDIX C hereto shall have the meanings set forth in the Indenture.

THE ISSUER

General

The Issuer was caused to be created in October 2015 under the New York Not-For-Profit Corporation Law (the "NFPC Law") by JDA pursuant to its authority under the New York Public Authorities Law and the NFPC Law. The Issuer had its organizational meeting on November 3, 2015. The Issuer is not a subsidiary or agent of the JDA for any purpose under the laws of New York.

The Issuer has all powers conferred upon a not-for-profit corporation by the NFPC Law. However, in fulfilling its purpose, the Issuer does not impose any liabilities or obligations upon

JDA, the New York State Urban Development Corporation, doing business as Empire State Development, the Governor of the State of New York or the State.

The Governor of the State of New York and JDA are the two members of the Issuer, each of which members appoints a designated number of Directors to the Board of the Issuer.

Directors and Officers of the Issuer

The Directors of the Issuer are:

Name	Affiliation	Appointed by	Term Expires
George J. Haggerty	Former New York State Deputy Secretary for Financial Services	Governor	2016
Andrew Kennedy	Deputy Director of State Operations for Policy	Governor	2017
Howard A. Zemsky	President & Chief Executive Officer of the New York State Urban Development Corporation d/b/a Empire State Development	Governor	2018
Kathleen Mize	Deputy Chief Financial Officer and Controller of the New York State Urban Development Corporation d/b/a Empire State Development	JDA	2016
Mehul Patel	Chief Operating Officer, Midwood Investment & Development	JDA	2017

The Officers of the Issuer are:

Name	Title
Howard A. Zemsky	President & Chief Executive Officer
Elizabeth R. Fine	Executive Vice President – Legal and General Counsel
Maria Cassidy	Deputy General Counsel
Robert M. Godley	Treasurer
Debbie Royce	Secretary
Rose-Marie Mahase	Assistant Secretary

TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS

TOGA

Summary Description of TOGA

In 1990, the Signatory Carriers began to examine their options to control their costs and provide a high level of customer service at the Airport. The Terminal One site at the Airport was identified and determined to be the most feasible alternative to achieve these objectives. Further, it was also determined that the most cost effective approach was to demolish the old Eastern Airlines terminal located on that site and build a new facility to the specifications of TOGA.

TOGA was organized in 1994 as a limited partnership under the laws of the State of New York to lease, finance, construct, maintain and operate a new passenger terminal facility at the Airport. Pursuant to the partnership agreement, the Signatory Carriers, as limited partners, each holds a 24.75% partnership interest. The general partner of TOGA, Terminal One Management, Inc. ("TOMI"), holds the remaining 1% partnership interest. TOMI is owned equally by the Signatory Carriers. The partnership agreement provides that TOGA will continue to exist until December 31, 2032, unless extended by TOMI to a date not later than December 31, 2067. TOGA is intended to be a break-even operation over the term of the Use Agreements. TOGA has no employees; it contracts with a consulting firm, currently AvAirPros Services, Inc., to operate Terminal One.

Lease Arrangements

The Port Authority leases the Airport from the City under the Basic Lease. The Port Authority subleases the Site to TOGA pursuant to the Site Lease. See "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE." TOGA sub-subleases, on a common or preferential use basis, premises in Terminal One to each of the Signatory Carriers pursuant to the Use Agreements. See "SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS" herein.

Terminal One

Terminal One is a 10-gate international terminal at the Airport that has been operating since May 1998 and is one of only two terminals at the Airport that can serve the Airbus 380 superjumbo aircraft. The site also accommodates two aircraft hardstand positions which are accessible from the terminal. The approximately 671,000 square foot terminal includes approximately 85,000 square feet of airline preferential use space. This area is used by the Signatory Carriers and other carriers which TOGA agrees (with the consent of the Port Authority) may occupy and utilize Terminal One (the "Contract Carriers") for the processing of passengers, supporting airline operational requirements and airline club rooms. Space has also been designated for food and retail concessions. Carrier common use areas include passenger check-in counters and common building technical support areas for inbound and outbound baggage systems, preconditioned air, ground power and other common functions. Additional areas have also been provided for building support, including mechanical and maintenance areas. Other areas providing for passenger use include departure and arrival halls, security screening,

concessions court, gate rooms and additional customer amenities. Federal Inspection Services facilities at Terminal One are capable of processing approximately 2,200 passengers per hour.

Terminal One also includes an exclusive upper and lower level roadway system, allowing for segregation of vehicular traffic and required building utility connections. The Site also includes a 1,276,561 square foot aircraft apron and taxilane with associated utilities comprised of a triturator facility, hydrant fueling, snow melter, glycol storage and dispensing, and vehicle fuel storage and dispensing.

An annual capital improvement program has been pursued to accommodate changing requirements and operational improvements. Capital improvements to Terminal One since 1998 have included:

- Dual passenger loading bridges at four gates to accommodate Airbus A380 aircraft
- Light Rail System interface
- Alitalia VIP lounge space
- Check Baggage Inspection System
- 100% LED Lighting
- CCTV Security Camera Upgrade

Terminal One Operations

Each year since opening, maximizing revenues has been of paramount importance to the Terminal One management team. The maximization of revenues has been achieved through new concessions, increased advertising and aggressive pursuit of Contract Carriers. In addition to the four Signatory Carriers, the following twenty-one Contract Carriers currently operate in Terminal One pursuant to facility use and lease agreements of varying terms.

Aeroflot
AeroMexico
Air China
Alitalia
Austrian Airlines
Azerbaijan Airlines
Brussels Airlines
Cayman Airways
China Eastern
Dynamic Airways
EVA Air
Fly Jamaica Airways
Interjet
LOT Polish Airlines
Meridiana Airways
Norwegian
Philippine Airlines
Royal Air Maroc
Saudi Arabian Airlines
Tame EP
Turkish Airlines

Scrutiny is constantly applied to every component of the operating budget and management tools are employed to ensure the most cost efficient operation while maintaining the highest possible passenger service levels and facility maintenance standards.

The following chart shows enplanements at Terminal One for each of the last five full calendar years[1] and for the nine-month periods ending September 30, 2014 and 2015, as well as the projected enplanements for the 2015 calendar year.[2]

	Signatory Carrier Enplanements	Contract Carrier Enplanements	Total Enplanements
2010	1,046,358	928,698	1,975,056
2011	1,028,248	1,049,658	2,077,906
2012	1,024,684	1,344,115	2,368,799
2013	1,029,800	1,719,237	2,749,037
2014	1,075,726	2,069,652	3,145,378
2015	1,123,807	2,285,742	3,409,549
	9 months ended September 30		
2014[1]	803,582	1,570,985	2,374,567
2015[2]	846,252	1,732,354	2,578,606

[1] Source: TOGA

[2] Forecast by TOGA

Terminal One Financial Results

The following chart shows cash revenues for each of the last three full calendar years and projected cash revenues for the 2015 calendar year derived by TOGA from Signatory Carriers, Contract Carriers, concessions and other revenues[1]:

Revenues	2012[1]	2013[1]	2014[1]	Forecast[1] 2015
Signatory Carriers[2, 3]	$ 31,581,915	$ 20,483,525	$ 13,370,364	$ 4,495,228
Contract Carriers[2]	56,419,002	71,785,679	89,432,987	103,685,045
Concessions	15,886,375	18,339,056	19,570,692	20,159,117
Other Revenues	5,944,761	8,430,629	10,666,231	8,764,521
Total Revenues	$109,832,053	$119,038,889	$133,040,274	$137,103,911

[1] Source: TOGA

[2] Terminal One was developed by the Signatory Carriers for their use, with excess capacity to provide for their future growth. To reduce their cost, the Signatory Carriers lease any excess capacity to Contract Carriers, until such excess capacity is needed for expanded Signatory Carrier operations.

[3] Includes deferred rent of $(9,256,661) in 2012, $(11,372,765) in 2013 and $(11,728,361) in 2014, which is a non-cash item reflecting the difference between the rental income required for the Signatory Carriers to make TOGA a break-even operation on an accrual basis and the rent currently due pursuant to the Use Agreements.

Signatory Carriers

Set forth below are brief descriptions of each Signatory Carrier. For more complete descriptions of each Signatory Carrier, including recent developments and the most recent financial statements, see the information below relating to inclusion by specific reference of certain financial information of JAL, Korean Air and Lufthansa German Airlines and APPENDIX B relating to certain financial information of Air France. Neither the Issuer nor any of the Underwriters makes any representation or warranty with respect to the accuracy or completeness of the information contained or included in APPENDIX B or by specific reference under this caption "Signatory Carriers."

Air France. Air France is a subsidiary of Air France-KLM. The international scheduled airline services of Air France rank sixth in the world in terms of international passengers (source: International Air Transport Association ("IATA") 2014) and second in Europe. In 2014, 52.8 million passengers were carried by Air France to 214 destinations in 95 countries. Air France is also the fourth largest carrier worldwide for international cargo, and a major operator in the MRO business (Maintenance, Repair and Overhaul of aircraft). See APPENDIX B for certain additional financial information regarding Air France.

JAL. Japan Airlines Co., Ltd. is a publicly traded company specializing in scheduled and non-scheduled air transport, aerial work services and other related businesses. JAL maintains an international route network linking 37 international routes to Japan, including 9 cities within the United States, including its territories. For the year ended March 31, 2015, JAL carried approximately 7.8 million passengers on its international routes and 31.6 million passengers within Japan.

The most recent annual report for JAL for the fiscal year ended March 31, 2015 (the "JAL 2015 Annual Report") is available on its website at https://www.jal.com[*] under "ANNUAL REPORTS – JAL REPORT 2015 (Annual Report 2015)" and on the MSRB's EMMA system. The most recent audited consolidated financial statements of JAL (the "JAL 2015 Consolidated Financial Statements"), set forth as pages 62 through 85 of the JAL 2015 Annual Report, are included by specific reference herein:

As more fully described therein, the JAL 2015 Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS issued by the IASB. Such standards are also different in certain respects from generally accepted accounting principles as applied in the United States.

Other than the JAL 2015 Consolidated Financial Statements, no other statement or other information on JAL's website, or any other website, is included by specific reference herein.

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[*] On https://www.jal.com, select "Corporate Information"; at the top right, select "Investor Relations"; select "IR Library"; select "Annual Reports"; select "JAL REPORTS 2015 (Annual Report 2015)."

Korean Air. Korean Air is an international airline registered and based in the Republic of Korea, offering scheduled passenger and cargo services to over 127 cities in 44 foreign countries. Privatized in 1969, Korean Air has expanded its reach worldwide and has been a founding member of the SkyTeam Alliance since 2000. In 2014, Korean Air carried 16.61 million international passengers and 6.65 million domestic passengers based on IATA standards. Additionally, Korean Air carried 143.4 thousand tons of international cargo and 9.4 thousand tons of domestic cargo last year.

The most recent consolidated financial statements for Korean Air for the fiscal year ended December 31, 2014 (the "Korean Air 2014 Consolidated Financial Statements") are available on the MSRB's EMMA system and at:

https://www.koreanair.com/content/dam/koreanair/en/documents/AboutKoreanAir/InvestorRelations/FinancialStatements/Korean_Air_2014_Financial_Statements.pdf

As more fully described therein, the Korean Air 2014 Consolidated Financial Statements have been prepared in conformity with Korean statutory requirements and Korean International Financial Reporting Standards. Such standards are different in certain respects from IFRS and from generally accepted accounting principles as applied in the United States.

Other than the Korean Air 2014 Consolidated Financial Statements, no other statement or other information on Korean Air's website, or any other website, is included by specific reference herein.

Lufthansa German Airlines. Lufthansa German Airlines is the main operating and holding company in Lufthansa Group. Lufthansa Group has four integral business segments: Passenger Airline Group (including Lufthansa German Airlines, Swiss International Air Lines AG and Austrian Airlines AG), Logistics, MRO (Maintenance, Repair and Overhaul of aircraft) and Catering. In 2014, the Passenger Airline Group served 106 million passengers. Lufthansa Group and its Star Alliance partner airlines currently operate flights to more than 1,000 destinations worldwide. As of December 31, 2014, Lufthansa Group had a total fleet comprising 615 aircraft at its disposal.

The most recent annual report for Lufthansa German Airlines for the calendar year ended December 31, 2014 (the "Lufthansa 2014 Annual Report") is available on its website at http://investor-relations.lufthansagroup.com/en/finanzberichte/annual-report/2014.html under "ANNUAL REPORT AND ANNUAL RESULTS 2014 – Documents – Annual Report 2014" and on the MSRB's EMMA system. The audited consolidated financial statements of Lufthansa German Airlines for calendar year 2014 (the "Lufthansa 2014 Consolidated Financial Statements"), set forth as pages 147 through 222 of the Lufthansa 2014 Annual Report, are included by specific reference herein:

Audited Consolidated Financial Statements 2014 of Lufthansa Group (p. 147 – p. 222)

- Consolidated balance sheet (p. 150 – p. 151)
- Consolidated income statement (p. 148)

- Statement of comprehensive income (p. 149)
- Statement of changes in shareholders' equity (p. 152)
- Cash flow statement (p. 153)
- Notes (p. 154 – p. 221)
- Independent auditors' report (p. 222)

As more fully described therein, the Lufthansa 2014 Consolidated Financial Statements have been prepared in accordance with the IFRS, taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union. Such standards are different in certain respects from generally accepted accounting principles as applied in the United States.

Other than the Lufthansa 2014 Consolidated Financial Statements, no other statement or other information on Lufthansa German Airlines' website, or any other website, is included by specific reference herein.

THE AIRPORT

Pursuant to the Basic Lease, the Airport is leased by the City to the Port Authority for a term extending to December 31, 2050. Opened on July 1, 1948, the Airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. The Airport consists of approximately 4,956 acres, including 880 acres in the central terminal area. The central terminal area contains six individual airline passenger terminals surrounded by a dual ring of peripheral taxiways. Five patron parking structures, twenty cargo buildings to accommodate the demand for cargo space, a 475-room hotel (currently closed), and a cogeneration facility integrating an installation for the generation of electrical energy with the Airport's central heating, refrigeration plant and thermal distribution system are also located on the Airport. The four major runways now in use range from approximately 8,400 feet to 14,600 feet. An automated light rail system linking the terminals in the central terminal area with each other and with existing transit lines in Jamaica, Queens and Howard Beach, Queens, respectively, provides airport access for passengers and others using the Airport.

PLAN OF FINANCE

Sources and Uses of Funds

The following table sets forth the overall anticipated sources and uses of funds, including the application of the proceeds of the Series 2015 Bonds:

Sources of Funds:	
Series 2015 Bond Proceeds*	$187,189,816.05
Prior Debt Service Reserve Fund Moneys	35,281,132.13
Prior Debt Service Fund Moneys	27,045,547.79
Total Sources of Funds	$249,516,495.97
Uses of Funds:	
Deposit to Escrow Account	$245,431,427.50
Costs of Issuance, including Underwriters' Discount	4,085,068.47
Total Uses of Funds	$249,516,495.97

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* Consisting of the par amount of the Series 2015 Bonds, plus original issue premium in the amount of $19,929,816.05.

Refunding of Prior Bonds

The Series 2015 Bonds are being issued for the purpose, among other things, of providing funds sufficient, together with other available funds, to defease and refund all outstanding Prior Bonds.

On the date of issuance of the Series 2015 Bonds, a portion of the proceeds of the Series 2015 Bonds, together with funds transferred from the Bond Fund and amounts on deposit in, and the proceeds of the liquidation of a guaranteed investment contract securing a surety bond on deposit in, the debt service reserve fund relating to the Prior Bonds, will be deposited in escrow with The Bank of New York Mellon, as escrow agent for the Prior Bonds (the "Escrow Agent") pursuant to a Letter of Instructions and Escrow Agreement, between the issuer of the Prior Bonds and the Escrow Agent. Such proceeds and other available moneys will be held in cash or used to purchase authorized defeasance securities (the "Defeasance Securities"), the principal of and interest on which will provide moneys (i) sufficient to pay the principal of and interest on the Prior Bonds maturing on January 1, 2016 and (ii) sufficient to pay on January 13, 2016 (the "Prior Bonds Redemption Date") the redemption price of the Prior Bonds maturing after January 1, 2016, at a Redemption Price equal to 100% of their principal amount, plus accrued interest to the Prior Bonds Redemption Date. Upon such deposit with the Escrow Agent and the satisfaction of certain other conditions set forth in the indenture of trust relating to the Prior Bonds (the "Prior Indenture"), the Prior Bonds will no longer be outstanding under the Prior Indenture.

DESCRIPTION OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds will be issued as fully registered Bonds in denominations of $5,000 or integral multiples thereof ("Authorized Denominations") and will bear interest from their date to their respective maturities in the principal amounts and at the interest rates set forth on the inside front cover page of this Official Statement. The Series 2015 Bonds, as initially issued, will be dated their date of delivery. The Series 2015 Bonds are subject to redemption prior to maturity as described in "Redemption Provisions" below.

Interest on the Series 2015 Bonds will be payable semiannually on each January 1 and July 1 (each an "Interest Payment Date"), commencing on July 1, 2016. Except as described below, interest payable on the Series 2015 Bonds on any Interest Payment Date shall be paid by the Trustee to the Holders of such Series 2015 Bonds appearing on the registration books maintained by the Trustee as Bond Registrar at the close of business on the fifteenth day of the calendar month (whether or not a Business Day) next preceding such Interest Payment Date (the "Record Date"), and shall be paid (1) by check mailed to such Holders at their address as it appears on such registration books or at such other address furnished in writing by such Holders to the Trustee, or (2) at the written request addressed to the Trustee by any Holder of Bonds, or unless otherwise provided in any writing with or from the Securities Depository, by electronic wire transfer in immediately available funds to the account filed with the Trustee no later than the Record Date for any interest payment. So long as a book-entry system is used for determining beneficial ownership of the Series 2015 Bonds, payments of interest and other payments will be made to The Depository Trust Company as described below in "Book-Entry Only System."

Redemption Provisions

No Optional Redemption. Except as provided below, the Series 2015 Bonds are <u>not</u> subject to redemption at the option of the Issuer or TOGA prior to final maturity.

Extraordinary Optional Redemption. The Series 2015 Bonds are subject to redemption prior to maturity at the option of TOGA exercised in writing to the Issuer and to the Trustee and subject to the conditions described below, from loan prepayments made by TOGA under the Loan Agreement, to the extent funds are available therefor, as a whole or in part (such partial redemption shall be limited to the amount of the Net Insurance Proceeds or Net Condemnation Proceeds and to the nearest Authorized Denomination), on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, plus accrued interest to the date of redemption, upon the occurrence of any of the following events:

- the Facility or any part thereof shall have been damaged or destroyed; or
- title to, or the temporary use of, all or any part of the Facility shall have been taken or condemned by a competent authority;

provided, however, that the redemption under this provision may be in part only if TOGA delivers to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such

redemption will not cause interest on the Series 2015 Bonds remaining Outstanding to become includable in gross income for federal income tax purposes.

"Net Insurance Proceeds" means, as determined by an Authorized Borrower Representative, the proceeds of insurance remaining following the repair, reconstruction, restoration or improvement of the Facility following damage or destruction to the Facility caused by fire, flood, windstorm or other casualty.

"Net Condemnation Proceeds" means, as determined by an Authorized Borrower Representative, the proceeds of any condemnation award due to the taking or the condemnation by a competent authority for any public use or purpose of title to, or the temporary use of, the Facility or any portion thereof.

Mandatory Redemption Upon Expiration or Termination of the Site Lease. The Series 2015 Bonds are subject to mandatory redemption prior to maturity in whole on any date if, on a date that is prior to the final maturity date of the Series 2015 Bonds, the Site Lease expires or is otherwise terminated.

Selection of Bonds to be Redeemed. In the case of any redemption in part, the Series 2015 Bonds to be redeemed shall be selected by the Trustee at the direction of TOGA, subject to the following. If less than all of a maturity of any Series 2015 Bonds shall be called for redemption, the particular Series 2015 Bonds of such maturity to be redeemed shall be selected by the Trustee, in such manner as the Trustee in its discretion may deem fair and appropriate except that, to the extent practicable, the Trustee shall select Series 2015 Bonds for redemption such that no Series 2015 Bond shall be of a denomination of less than its minimum Authorized Denomination. In the event of redemption of less than all the Outstanding Series 2015 Bonds stated to mature on different dates, the principal amount of such Series 2015 Bonds to be redeemed shall be selected by TOGA upon written direction to the Trustee or, lacking such direction, applied in inverse order of maturity of the Outstanding Series 2015 Bonds to be redeemed. In selecting Series 2015 Bonds for redemption, the Trustee shall treat each such Series 2015 Bond as representing that number of Series 2015 Bonds that is obtained by dividing the principal amount of such registered Series 2015 Bond by $5,000 (referred to below as a "unit") rounded down; provided, however, that in no event shall a "unit" of a Series 2015 Bond be redeemed if the resulting unpaid principal amount thereof would be less than $5,000. If the Holder of any Series 2015 Bond of a denomination greater than $5,000 shall fail to present such Series 2015 Bond to the Trustee for payment and exchange as aforesaid, such Series 2015 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Notice of Redemption. When redemption of any Series 2015 Bonds or any portions thereof is requested or required pursuant to the Indenture, upon written notice from TOGA to the Trustee delivered no less than 22 days prior to the Redemption Date, the Trustee shall give notice of such redemption in the name of the Issuer, specifying the CUSIP number, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2015 Bonds or portions thereof to be redeemed, the Redemption Date, the Redemption Price and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the

Trustee) and specifying the principal amounts of the Series 2015 Bonds or portions thereof to be payable and, if less than all of the Series 2015 Bonds of any maturity are to be redeemed, the numbers of such Series 2015 Bonds or portions thereof to be so redeemed. Such notice shall further state that on the Redemption Date there shall become due and payable upon each Series 2015 Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to but not including the Redemption Date, and if sufficient monies are held in trust for the payment of such Redemption Price, from and after the Redemption Date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption. The Trustee, in the name and on behalf of the Issuer, (i) shall, if the Series 2015 Bonds are Book-Entry Bonds, send by Electronic Means and, in all other cases, mail a copy of such notice by first-class mail, postage prepaid, not more than 45 nor less than 20 days prior to the date fixed for redemption to the registered owners of any such Series 2015 Bonds that are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of any other Series 2015 Bonds with respect to which proper mailing was effected and (ii) cause notice of such redemption to be submitted to the MSRB's EMMA system. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Payment of Redeemed Series 2015 Bonds. Notice having been given in the manner provided above, the Series 2015 Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to but not including the Redemption Date. If, on the Redemption Date, moneys for the redemption of all Series 2015 Bonds or portions thereof to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date, interest on the Series 2015 Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Series 2015 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Book-Entry Only System

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be initially issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC.

When the book-entry system is in effect, payments relating to, and transfers of, Beneficial Owner's interests in the Series 2015 Bonds will be accomplished by book entries made by DTC and, in turn, by DTC Participants who act on behalf of the Beneficial Owners. See "APPENDIX H – BOOK-ENTRY ONLY SYSTEM."

SECURITY FOR THE SERIES 2015 BONDS

Limited Obligations

The Series 2015 Bonds will be special revenue obligations of the Issuer secured by and payable from the Trust Estate, consisting primarily of the loan payments paid or caused to be paid by TOGA pursuant to the Loan Agreement and the Note and from certain payments by the Signatory Carriers pursuant to the Cost Sharing Agreement using the allocation method provided for in the Use Agreements, and nothing in the Series 2015 Bonds, the Loan Agreement, the Note, the Cost Sharing Agreement, the Indenture or the Tax Certificate shall be considered as pledging any other funds or assets of the Issuer.

The Trust Estate consists principally of the following:

(1) all right, title and interest of the Issuer in and to the Loan Agreement and the Note, including all loan repayments, revenues and receipts payable or receivable thereunder, excluding, however, the Issuer's Reserved Rights which may be enforced by the Issuer and the Trustee jointly or severally;

(2) the Project Fund and the Principal Account, Interest Account, Sinking Fund Requirement Account, if any, and Redemption Account of the Bond Fund, all moneys and securities credited therein from time to time and all investment earnings of any of the foregoing;

(3) any and all other property of every kind and nature from time to time which was heretofore or hereafter is by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, including, without limitation, pursuant to any Security Document as and for additional security under the Indenture, by the Issuer or by any other Person, with or without the consent of the Issuer, to the Trustee, which is authorized to receive any and all such property at any time and at all times to hold and apply the same subject to the terms thereof; and

(4) the right, in the name and on behalf of the Issuer, to appear in and defend any action or proceeding brought with respect to the Loan Agreement and/or the Note and to commence any action or proceeding to protect the interest of the Trustee in the Loan Agreement and the Note.

The "Issuer's Reserved Rights" consist of the Issuer's rights pursuant to the Loan Agreement providing that notices, reports and other statements be given to the Issuer and that consents be obtained from the Issuer, its rights to reimbursement and payment of certain costs and expenses, its right of access to examine and inspect the Facility and to examine and copy the books and records of TOGA, and its rights to indemnification and non-liability under certain sections of the Loan Agreement.

The Series 2015 Bonds are special and limited revenue obligations of the Issuer, payable by the Issuer as to the principal, redemption price, and interest thereon, solely out of the Trust Estate pledged under the Indenture referred to herein. Neither the Series 2015

Bonds, the principal thereof, the interest thereon, nor the redemption price thereof, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State, JDA, the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer), and none of the State, JDA, the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer) shall be liable on the Series 2015 Bonds. The Issuer has no power of taxation.

Cost Sharing Agreement and Use Agreements

Under the Cost Sharing Agreement, each Signatory Carrier agrees to make payment to TOGA, prior to the date payments are due from TOGA under the Loan Agreement and the Note, in an amount sufficient to pay the principal and redemption price of, and interest on, the Series 2015 Bonds as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise. Each Signatory Carriers' payment under the Cost Sharing Agreement shall be in the same proportion as identified as such Signatory Carrier's Prorata Share of costs under the Use Agreements (as of 2014, Air France – 34.84%; JAL – 18.35%; Korean Air – 16.86%; and Lufthansa German Airlines – 29.96%) with respect to payments related to the Prior Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE COST SHARING AGREEMENT" herein.

In the event a Signatory Carrier fails to make its payment obligations under the Cost Sharing Agreement, TOGA will notify the defaulting Signatory Carrier and all other Signatory Carriers in writing of such default as soon as practicable, but in any event within ten (10) days of the occurrence of such default. If TOGA has not received such payment from the defaulting Signatory Carrier nor advanced funds on its behalf within ten (10) days after such notice, the other Signatory Carriers shall make supplemental payments in the manner described in and the respective amounts determined in accordance with the Use Agreements. See "SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS — Supplemental Payments by Signatory Carriers Upon Air Carrier or Other Tenant Default." In addition, the Signatory Carriers agree in the Cost Sharing Agreement that any costs relating to acceleration or mandatory redemption of the Series 2015 Bonds shall be allocated among the Signatory Carriers and paid in the same manner as Extraordinary Costs under the Use Agreements. See "SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS — Allocation of Extraordinary Costs."

The Trustee will be a third-party beneficiary under the Cost Sharing Agreement with the right to enforce the provisions thereof on behalf of Bondholders.

In the event TOGA fails to make any payment with respect to the Series 2015 Bonds under the Loan Agreement or the Note, or otherwise defaults under the Loan Agreement or the Note so as to cause the principal of the Series 2015 Bonds to become due and payable, none of the Issuer, the Trustee or any holder of the Series 2015 Bonds shall have any rights or remedies with respect to Terminal One but shall have the non-possessory rights under the Loan Agreement, including the right to enforce against TOGA and the Signatory Carriers the obligations of such parties to pay amounts payable under the Cost

Sharing Agreement and the Loan Agreement and the Note. Neither the Series 2015 Bonds nor the obligations of TOGA under the Loan Agreement and the Note are secured by any mortgage lien on, or security interest or other interest in, Terminal One or by any leasehold interest of TOGA in Terminal One.

Rate Covenant

TOGA has covenanted in the Loan Agreement to establish and assess, and to revise from time to time as necessary, rentals, fees and charges under the Use Agreements as allocated among the Signatory Carriers by the Cost Sharing Agreement that will produce revenues in each calendar year in which Bonds are Outstanding that, together with any cash balance held in the Bond Fund on the last day of such calendar year not then required to be deposited with the Trustee in any Fund (or Account or Subaccount thereof) established under the Indenture, shall equal an amount not less than the greater of (i) the aggregate amounts required to be paid during such calendar year pursuant to the Loan Agreement and the Note and (ii) 125% of the Annual Debt Service with respect to the Bond Year commencing during such calendar year.

If, during any calendar year, revenues are estimated to be less than the amount required under the rate covenant, TOGA shall, pursuant to the Use Agreements as allocated among the Signatory Carriers by the Cost Sharing Agreement, revise its rentals, fees and charges to the various Signatory Carriers thereunder or take other action in such manner as is necessary to produce the amount so required in such calendar year.

TOGA is required to furnish to the Trustee within 120 days after the end of each calendar year a calculation of its compliance with the foregoing rate covenant in respect to such calendar year then ended. If TOGA is not in compliance with the rate covenant, it must employ an Independent Airport Consultant to review and analyze the financial status of the Facility and, within 60 days of employment of the Independent Airport Consultant, to make recommendations as to actions to be taken to generate amounts sufficient to meet the rate covenant in the following 12-month period. TOGA then will be obligated, after due consideration of such recommendations, to take such actions, which actions need not comply with the Independent Airport Consultant's recommendations, as are projected to result in compliance with the rate covenant and to furnish copies of the Independent Airport Consultant's recommendations to the Trustee and to each Bondholder who so requests. See "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT — Rate Covenant."

Additional Bonds

So long as the Loan Agreement is in effect, one or more series of Refunding Bonds may be issued for the purpose of refunding all or a portion of any Outstanding Bonds. Such Refunding Bonds shall be payable from the Trust Estate.

Each series of Refunding Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Series 2015 Bonds and all other series of Refunding Bonds, if any, issued pursuant to the Indenture, except as may be provided in the Supplemental Indenture relating to the issuance of such Refunding Bonds.

RISK FACTORS

Prospective purchasers of the Series 2015 Bonds are urged to read this Official Statement in its entirety, giving particular attention to the following matters which, among others, may affect the security for the Series 2015 Bonds.

Certain Risks With Respect to TOGA and the Signatory Carriers

The sole source of payment of principal and redemption price of, and interest on, the Series 2015 Bonds will be the payment by TOGA of amounts due from TOGA under the Loan Agreement and the Note. The Signatory Carriers are obligated under the Cost Sharing Agreement and the Use Agreements to make payments to TOGA so that TOGA has sufficient funds to pay its obligations under the Loan Agreement and the Note. The Series 2015 Bonds are not secured by a mortgage on or any property interest in the Facility. See "SECURITY FOR THE SERIES 2015 BONDS —Use Agreements and the Cost Sharing Agreement." No assurances can be given that TOGA will be able to meet all of its obligations under the Loan Agreement and the Note, or that the Signatory Carriers will be able to meet all of their obligations under the Use Agreements and the Cost Sharing Agreement, throughout the term of each such agreement or the Series 2015 Bonds. For information about the Signatory Carriers, see "TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS – Signatory Carriers" herein. For information about TOGA, see APPENDIX A hereto.

Risk Factors Relating to the Airline Industry

The airline industry is highly susceptible to unfavorable global economic conditions and constantly changing industry conditions which may lead to lower demand for flights and overcapacity in the market and, as a result, reduced fares and profitability.

The revenues of TOGA and the Signatory Carriers are affected substantially by the economic health of the airport transportation industry. Particularly, since 2001 the airline industry has undergone structural changes and sustained significant financial losses until recently. The economic condition of the industry is highly competitive and volatile. The industry is sensitive to a variety of factors, including (i) the cost and availability of fuel, labor, aircraft, and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing, (vi) traffic and airport capacity constraints, (vii) governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel, and (ix) disruption caused by airline accidents, criminal incidents and acts of war or terrorism, such as the events of September 11, 2001. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the strength of the U.S. and other countries' economy, other regional and international economies, corporate profitability, safety and security concerns and other factors. Ongoing structural changes to the industry are the result of a number of factors including the impact of low cost carriers, internet travel web sites and carriers reorganizing under applicable bankruptcy (or similar) law.

Finally, alliances, mergers and other forms of industry consolidation, including antitrust immunity grants, may take place and may not involve the Signatory Carriers as participants. Depending on which carriers combine and which assets, if any, are sold or otherwise transferred to other carriers in connection with such combinations, the competitive position of the Signatory Carriers relative to the post-combination carriers that acquire such assets could be harmed. In addition, as carriers combine through traditional mergers or antitrust immunity grants, their route networks will grow, and that growth will result in greater overlap with its network, which in turn could result in lower overall market share and revenues for the Signatory Carriers.

The financial performance of the air transportation industry correlates with the state of the national economy and the global economy. Prolonged periods of stagnant or weak economic conditions could have a material adverse effect on business, financial condition and operating results in the industry. Economic downturns generally lead to an overall decline in flight demand, both in the passenger and cargo flight segments. Because the Signatory Carriers have relatively high fixed costs, much of which cannot be mitigated during periods of lower demand for air travel, they are particularly sensitive to changes in economic conditions. A reduction in the demand for air travel due to unfavorable economic conditions also limits their ability to raise fares to counteract increased fuel, labor and other costs. Deterioration in either the domestic and/or global economy may therefore have a material impact on revenue in the industry. Future increases in passenger traffic will depend largely on the ability of the U.S. and other countries to sustain growth in economic output and income. Following significant and dramatic changes which occurred in the financial markets in September 2008, the global economy experienced a recession followed by weak growth. There can be no assurances that the prolonged weak economic conditions or other national and international fiscal concerns will not have an adverse effect on the air transportation industry. Finally, volatility in the financial and credit markets may have a material adverse effect on the financial condition of airline companies, because such economic conditions could make it difficult for certain airlines to obtain financing on acceptable terms to refinance certain maturing debt and to meet future capital commitments.

High and/or volatile fuel prices or significant disruptions in the supply of aircraft fuel could have a material adverse impact on the operating results of airline companies.

Market prices for aircraft fuel depend on a multitude of unpredictable factors beyond any Signatory Carrier's control. These factors include changes in global crude oil prices, aircraft fuel supply-demand balance, inventory levels and fuel production and transportation capacity, as well as indirect factors, such as geopolitical events, economic growth indicators, fiscal/monetary policies, fuel tax policies and financial investments. Both actual changes as well as changes in market expectations of these factors can potentially drive rapid changes in fuel price levels and price volatility. According to the Air Transport Association (the "ATA"), fuel, along with labor costs, is one of the largest cost components of airline operations, and therefore is an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant fluctuations in the price of fuel.

Airline earnings are affected by changes in the price of aircraft fuel. In the past, airlines have passed on higher fuel costs to consumers by imposing fuel surcharges, baggage fees, other extra surcharges and increasing airfares. Given the highly competitive nature of the airline

industry, an airline company may not be able to increase its fares and fees sufficiently to offset the full impact of increases in fuel prices, especially if these increases are rapid and sustained. Moreover, such fare and fee increases may not be sustainable and may reduce the general demand for air travel. Finally, decreases in fuel prices for an extended period may result in increased industry capacity, increased competitive actions for market share and lower fares or surcharges in general.

The airline industry is particularly vulnerable to the effects of pandemics, epidemics and natural disasters.

Public health concerns have also affected air travel demand from time to time, including, in 2003, concerns about the spread of severe acute respiratory syndrome; in 2009, concerns about the spread of influenza; and, more recently, in 2014, an outbreak of Ebola in West Africa. An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the airline industry and result in substantial reductions in and/or cancellations of, bookings and flights.

Demand for Air Travel.

Airline fares have an important effect on passenger demand, particularly for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. If airlines are unable to charge fares sufficiently high to cover operating costs and interest expense they will experience financial difficulty, which could adversely affect airline revenues and profits.

Many factors have combined to alter consumer travel patterns. The threat of terrorism remains high. As a result, national governments have mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations.

Capacity of Air Traffic Control and Airport Systems.

Demands on air traffic control systems continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic. In addition, increasing demands on the air traffic control and airport systems could cause increased delays and restrictions in the future.

Terrorist attacks, political uprisings, armed conflicts and their consequences or the fear of terrorists attacks or international hostilities, even if not made directly on the airline industry, could negatively affect TOGA and the Signatory Carriers.

Terrorist attacks, political uprising and armed conflicts worldwide have had significant negative effects on the international airline industry in the past. The attacks of September 11,

2001 and the continuing threat posed by terrorist attacks, including bioterrorism and new forms of terrorism, materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks of September 11, 2001 and any other such measures that may be introduced in the future may generate higher operating costs for airlines.

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370, the crash of Malaysia Airlines Flight 17 and the apparent bombing of Russian Metrojet Flight 9268. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Although the U.S. and foreign governments, airlines and airport operators have upgraded security measures to guard against terrorist incidents and maintain confidence in the safety of airline travel since the attacks of September 11, 2001, no assurance can be given that these precautions will be successful. The possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Further, future enhanced securities procedures may significantly increase inconvenience and delays at airports, including the Airport, again impacting passenger demand for air travel.

Extensive government regulation could increase a Signatory Carrier's operating costs and restrict its ability to conduct its business.

Airlines are subject to extensive regulatory and legal requirements in the U.S. and internationally. As an example, in the United States, Congress has passed laws, and the FAA has issued a number of maintenance directives and other operating regulations, that impose substantial costs on airlines. In January 2014, the FAA's more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect, which has increased costs for all carriers. In July 2014, minimum qualifications took effect for air carrier first officers. Internationally, additional laws, regulations, taxes and airport charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. The ability of the Signatory Carriers to operate international routes is subject to change because the applicable arrangements between the governments may be amended from time to time, or because appropriate slots or facilities may not be available.

Future environmental regulatory developments, such as climate change regulations in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. There are certain climate change laws and regulations that have already gone into effect, including the European Union Emissions Trading Scheme, environmental taxes for certain international flights, limited greenhouse gas reporting requirements and land-use planning laws which could apply to airports and could affect airlines in certain circumstances. In addition, there is the potential for additional regulatory actions in regard to the emission of

greenhouse gases by the aviation industry. The precise nature of future requirements is difficult to predict, but the financial impact to the airline industry would likely be adverse and could be significant.

Increases in insurance costs or reductions in insurance coverage may adversely impact TOGA's operations and financial results of the Signatory Carriers.

The Signatory Carriers' ability to manage their airline business with an adequate level of insurance coverage against risk of losses from man-made and natural disasters is dependent on, among other things, insurance policies. There can be no guarantee that the amount of insurance coverage upon the occurrence of a man-made or natural disaster, including the loss of one or more of its aircraft for any reason, would be sufficient to cover the resulting losses. Substantial claims resulting from an accident in excess of an airlines' related insurance coverage could be harmful. Following September 11, 2001, aviation insurers significantly increased airline insurance premiums and reduced the maximum amount of coverage available to commercial air carriers. Accordingly, airline insurance costs increased significantly and the ability of airline companies to continue to obtain insurance even at current prices remains uncertain. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the claims paying ability of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. Because of competitive pressures in the airline industry, the ability to pass additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on the financial results of airline operations.

Union disputes, employee strikes or slowdowns, and other labor-related disruptions could adversely affect the Signatory Carriers' operations and could result in increased costs that impair their financial performance.

The airline industry is labor intensive, utilizing large numbers of pilots, flight attendants, aircraft maintenance technicians, ground support personnel and other personnel. Strikes or labor disputes with unionized employees may adversely affect an airlines' ability to conduct business. While collective bargaining and other agreements between airline companies and their respective unions takes place regularly, a breakdown in the bargaining process could lead to industrial action, which could disrupt operations and have a material adverse effect on business performance. There can be no assurance that the Signatory Carriers will not experience strikes or other labor related employment disruptions. Lufthansa German Airlines and Air France, in particular, have recently experienced labor disruptions.

Airline companies rely heavily on technology and automated systems to operate their businesses and any significant failure or disruption of the technology or these systems could negative affect revenue or harm a company.

Airlines are highly dependent on technology and automated systems in their operations and to achieve low operating costs. These technologies and systems include computerized airline reservation systems, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in

kiosks. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Furthermore, there has been heightened legislative and regulatory focus on data security in many countries, including requirements for varying levels of customer notification in the event of a data breach. Any disruption to computer and communications systems could significantly impair an airline's ability to operate its business efficiently and could have material adverse effects on cash flows, financial condition and results of operations.

Termination of Site Lease

The Port Authority has the right to terminate the Site Lease upon the occurrence of a variety of events, including, without limitation, certain monetary and non-monetary defaults by TOGA. See "APPENDIX E — SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE" for a description of the various circumstances under which the Port Authority can terminate the Site Lease prior to its expiration.

Termination of the Basic Lease would, by operation of law, terminate the Site Lease. The Basic Lease can terminate 120 days after the effective date of notice from the City to the Port Authority of the occurrence of, among other things, either of the following:

(1) a failure by the Port Authority for any reason whatsoever to pay any item of rent under the Basic Lease when the same shall become due and payable, and such failure continues for 30 days after notice from the City to the Port Authority that such item is unpaid; or

(2) the City is required to forfeit or repay all or any portion of certain lump sum payments paid by the Port Authority upon execution of the Basic Lease, or any rent previously paid by the Port Authority pursuant to the Basic Lease.

The termination of the Site Lease prior to its expiration is an event of default under the Loan Agreement that will enable the Trustee to immediately accelerate the payment of principal of and interest on the Bonds.

Considerations Under the Federal Bankruptcy Code and Enforceability of Remedies

The rights and remedies available to the Trustee, the Issuer and the owners of the Series 2015 Bonds upon an event of default under the Indenture, the Loan Agreement, the Cost Sharing Agreement, the Use Agreements or other agreements described herein are in many respects dependent upon regulatory and judicial enforcement actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 9 of the United States Code, the remedies provided in federal bankruptcy laws, such agreements may not be readily available or may be limited. No assurances can be given that a court or regulatory agency would enforce the rights or types of remedies available under the Indenture, the Loan Agreement, the Cost Sharing Agreement, the Use Agreements or other agreements described herein. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified as to the

enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by judicial principles of equity.

In the Cost Sharing Agreement and each Use Agreement, TOGA and the respective Signatory Carrier have consented to the jurisdiction of the United State federal district courts in the Southern and Eastern Districts of New York in any suit or proceeding relating to the Cost Sharing Agreement and the Use Agreements and agreed that any dispute arising under the terms of the Cost Sharing Agreement and the Use Agreements between the parties shall be resolved by binding arbitration in New York, New York under the administration and rules of the American Arbitration Association. Each Signatory Carrier, however, is a corporation formed outside the United States, and a significant portion of its assets is located outside the United States. The ability of TOGA (or that of the Trustee as the Issuer's assignee under the Indenture) to enforce and realize upon a judgment against a Signatory Carrier in United States courts may be limited to its United States assets. TOGA has been advised by foreign counsel to each Signatory Carrier that a United States court judgment against such Signatory Carrier in respect of its Cost Sharing and Use Agreement obligations may be enforced in its foreign court, subject to conditions defined by the applicable law of the foreign country.

Possible Loss of Tax-Exempt Status of Interest on Series 2015 Bonds

On the date of delivery of and payment for the Series 2015 Bonds, Co-Bond Counsel will render its opinion with respect to the tax-exempt status of the interest on the Series 2015 Bonds, the form of which opinion is set forth in APPENDIX F. See also "TAX MATTERS."

In the event the interest on the Series 2015 Bonds is determined to be includable in gross income of holders or Beneficial Owners of the Series 2015 Bonds for federal tax purposes, the Series 2015 Bonds will remain outstanding. In such event, there will be no adjustment in the interest rate on the Series 2015 Bonds. Further, a determination that the interest on the Series 2015 Bonds is includable in gross income of the holders or Beneficial Owners may not occur for a substantial period of time after interest first becomes includable in the gross income of the owners thereof for federal income tax purposes.

The loss of the exclusion of the interest on any Series 2015 Bonds from gross income of the owners thereof for federal income tax purposes could be retroactive to the date of issuance of the Series 2015 Bonds. The tax liability of the owners of any Series 2015 Bonds for failure to include interest on such Series 2015 Bonds in their gross income may extend to years for which interest was received or accrued on such Series 2015 Bonds, or some portion thereof, and for which the relevant statute of limitations has not yet run.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary is not to be considered a full statement of the terms of the Loan Agreement and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof.

Loan of Proceeds

The Issuer agrees, upon the terms and conditions contained in the Loan Agreement and the Indenture, to lend to TOGA an amount equal to the principal amount of the Series 2015 Bonds. The loan shall be made by depositing the proceeds of the Series 2015 Bonds in accordance with the Indenture. TOGA's obligation to repay the loan shall be evidenced by the Note.

Amounts Payable

TOGA hereby agrees to pay the Note and repay the loan made pursuant to the Loan Agreement, by making the following payments:

(1) TOGA shall pay to the Trustee in immediately available funds for the account of the Issuer for deposit into the Bond Fund on or before any date that any payment of interest (including any Defaulted Interest), Redemption Price or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of and premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, a sum which will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise) and premium, if any, and interest on the Bonds as provided in the Indenture; provided, however, that the obligation of TOGA to make any payment under the Loan Agreement and the Note shall be deemed satisfied and discharged to the extent of amounts otherwise available therefor and on deposit in the Bond Fund.

(2) TOGA shall pay to the Trustee in immediately available funds for the account of the Issuer at the times required under the Indenture, such additional amounts as are required to make up any deficiency which may occur in any of the funds established under the Indenture.

(3) TOGA shall pay to the Trustee in immediately available funds for the account of the Issuer sufficient moneys as may be necessary to meet the Rebate Requirement described in the Tax Certificate.

(4) TOGA will also pay the reasonable fees and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agent and all other amounts which may be payable to any such Persons, such fees and expenses to be paid when due and payable by TOGA directly to each of the Issuer, the Trustee, the

Bond Registrar, the Paying Agent and the Underwriters, respectively, for its own account.

(5) TOGA will also pay when due and payable the reasonable fees and expenses of the Issuer related to the issuance of the Bonds, including without limitation, attorneys' fees and expenses.

(6) TOGA shall pay to the Trustee in immediately available funds at the times required under the Indenture, such additional amounts as are required to be paid by TOGA under the Indenture.

(7) In the event TOGA shall fail to make any of such payments, the item or installment so in default shall continue as an obligation of TOGA until the amount in default shall have been fully paid.

Unconditional Obligation

The obligation of TOGA to make the payments required under "Amounts Payable" above shall be absolute and unconditional. TOGA shall pay all such amounts without abatement, diminution or deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that TOGA may have or assert against the Issuer, the Trustee or any other Person.

Rate Covenant

TOGA covenants and agrees in the Loan Agreement to establish and assess, and to revise from time to time as necessary, rentals, fees and charges under the Use Agreements as allocated among the Signatory Carriers by the Cost Sharing Agreement that will produce revenues in each calendar year in which Bonds are Outstanding that, together with any cash balance held in the Bond Fund on the last day of such calendar year not then required to be deposited in any Fund (or Account or Subaccount thereof) established under the Indenture, shall equal an amount not less than the greater of (i) the aggregate amounts required to be paid pursuant to the Loan Agreement as described above under "Amounts Payable" and (ii) 125% of the Annual Debt Service with respect to the Bond Year commencing during such calendar year.

If, during any calendar year, revenues are estimated to be less than the amount required under the preceding paragraph, TOGA shall, pursuant to the Use Agreements as allocated among the Signatory Carriers by the Cost Sharing Agreement, revise its rentals, fees and charges to the various Carriers thereunder or take other action in such manner as is necessary to produce the amount so required in such calendar year.

Within 120 days after the end of each calendar year, TOGA shall furnish to the Trustee a calculation of the coverage as required under the first paragraph above certified by an Authorized Borrower Representative in respect to such calendar year then ended.

If the certificate specified in the preceding paragraph for any calendar year indicates that TOGA has not satisfied its obligations under the first paragraph above, then as soon as practicable (and in any event no later than 60 days) after the receipt by the Trustee of such

certificate, TOGA shall employ an Independent Airport Consultant to review and analyze the financial status of the Facility and to submit to TOGA, within 60 days after employment of the Independent Airport Consultant, a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by TOGA with respect to the revision of its rentals, fees, and charges to the various Carriers under the Use Agreements as allocated among the Signatory Carriers by the Cost Sharing Agreement or the taking of other action that is projected to result in producing the amount so required in the following twelve-month period. Promptly upon its receipt of the recommendations, TOGA shall, after giving due consideration to the recommendations, pursuant to the Use Agreements as allocated among the Signatory Carriers by the Cost Sharing Agreement revise its rentals, fees, and charges to the various Carriers thereunder, which revisions need not comply with the Independent Airport Consultant's recommendations so long as any revisions or alterations are projected by TOGA to result in compliance with the first paragraph above. TOGA shall transmit copies of the Independent Airport Consultant's recommendations to the Trustee, the Issuer and each Holder who has requested the same.

Obligation to Maintain and Repair

TOGA will keep and maintain the Facility in good condition, repair and working order, ordinary wear and tear excepted and, at its own cost and expense, will make or cause to be made from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereto.

Taxes, Assessments, and Charges

TOGA agrees to pay or cause to be paid, as the same respectively become due, all taxes, assessments and charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facility or any part thereof (including, without limiting the generality of the foregoing, any tax upon or with respect to the income or profits of the Issuer from the Facility or any part thereof and that, if not paid, would become a charge on the payments to be made under the Loan Agreement or the Note prior to or on a parity with the charge thereon created by the Indenture and including any ad valorem, sales and excise taxes, assessments and charges upon TOGA's interests in the Facility or any part thereof), all utility and other charges incurred in the operations, maintenance, use, occupancy and upkeep of the Facility or any part thereof and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Facility or any part thereof.

TOGA may, at its expense (after prior written notice to the Issuer and the Trustee), contest in good faith any such levy, tax, assessment or other charge and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided that (i) the lien of the Indenture as to any payments made under the Loan Agreement or the Note will not be endangered, (ii) the Facility or any part thereof will not be subject to loss or forfeiture, and (iii) TOGA shall furnish (A) such security or a reasonable indemnity, if any, as may be required in such proceedings or as may be reasonably requested by the Issuer or the Trustee or (B) an Opinion of Counsel confirming clauses (i) and (ii) above, and further provided that any tax, assessment, charge, levy or claim shall be paid

forthwith upon the commencement of proceedings to enforce or foreclose any lien securing the same.

Insurance

At all times through the term of the Loan Agreement, including without limitation during any period of reconstruction of the Facility, TOGA shall maintain insurance, with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of TOGA and the Facility.

Compliance with Law

TOGA agrees to comply with all Legal Requirements and covenants that the Facility is, and at all times while the Bonds are Outstanding will be, used in such a manner as to be eligible for financing under the Act.

Damage and Destruction

If on or after the date set forth in a certificate delivered to the Trustee by an Authorized Issuer Representative, any of the Facility or any portion of any thereof, shall be damaged or destroyed by fire, flood, windstorm or other casualty, or title to, or the temporary use of, any of the Facility, or any portion of any thereof, shall have been taken or condemned by a competent authority for any public use or purpose, TOGA (unless it shall have exercised its option to prepay all of the Bonds) shall cause the Net Proceeds from insurance or condemnation or an amount equal thereto to be used for the repair, reconstruction, restoration or improvement of the Facility. Any Net Proceeds remaining following the repair, reconstruction, restoration or improvement of the Facility shall be used to redeem Bonds as provided above under "DESCRIPTION OF THE SERIES 2015 BONDS – Redemption Provisions."

TOGA's Covenant as to Tax Exemption

TOGA covenants and agrees that it has not taken and will not take or cause to be taken, and has not omitted and will not omit or cause to be omitted, any action which results in interest paid on the Series 2015 Bonds being included in gross income of the Bondholders for the purposes of federal income taxation.

TOGA further covenants and agrees that it will take or cause to be taken all required actions necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2015 Bonds; and the Issuer covenants and agrees that it will take or cause to be taken all actions required to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2015 Bonds.

Events of Default

The term "Event of Default" shall mean any one or more of the following events:

(1) Failure by TOGA to make any payments described in paragraph (1) under "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Amounts Payable";

(2) The occurrence of an Event of Default under the Indenture;

(3) Any representation by or on behalf of TOGA contained in the Loan Agreement or any other Security Document or in any instrument furnished in compliance with or in reference to the Loan Agreement or any other Security Document proves false or misleading in any material respect as of the date of the making or furnishing thereof;

(4) Failure by TOGA to observe or perform any of the other covenants, conditions, payments or agreements under the Loan Agreement for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to TOGA by the Issuer or the Trustee; provided, with respect to any such failure, no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such thirty (30) day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby;

(5) TOGA shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, assignee, sequestrator, trustee, liquidator or similar official of TOGA or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other federal or state law relating to bankruptcy, insolvency, reorganization, arrangement, winding-up or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against TOGA in an involuntary case under said Federal Bankruptcy Code, or (vii) take any corporate action for the purpose of effecting any of the foregoing;

(6) A proceeding or case shall be commenced, without the application or consent of TOGA, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, arrangement, dissolution, winding-up or composition or adjustment of debts of TOGA, (ii) the appointment of a trustee, receiver, custodian, assignee, sequestrator, liquidator or similar official of TOGA or of all or any substantial part of its assets, or (iii) similar relief in respect of TOGA under any law relating to bankruptcy, insolvency, reorganization, arrangement, winding-up or composition or adjustment of debts and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any

of the foregoing shall be entered and continue unstayed and in effect, for a period of 90 days from the commencement of such proceeding or case or the date of such order, judgment or decree, or an order for relief against TOGA shall be entered in an involuntary case under said Federal Bankruptcy Code; or

(7) the termination of the Site Lease prior to its expiration.

Remedies on Default

Upon the occurrence of an Event of Default under the Loan Agreement, the Trustee, as assignee of the Issuer, may take any one or more of the following remedial steps:

(1) By written notice declare all principal payments due under the Note and described in paragraph (1) under "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Amounts Payable" immediately due and payable, whereupon the same, together with accrued interest, shall become immediately due and payable without presentment, demand, protest or any other notice whatsoever, all of which are hereby expressly waived by TOGA; and

(2) Take whatever other action at law or in equity as may appear necessary or desirable to collect the amounts payable pursuant to the Note or the Loan Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of TOGA under the Loan Agreement.

In the enforcement of such remedies, the Issuer and the Trustee may treat all reasonable expenses of enforcement, including, without limitation, legal, accounting and advertising fees and expenses, as additional amounts payable by TOGA then due and owing.

Dissolution or Merger of TOGA; Restrictions on TOGA

TOGA may consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer all or substantially all of its property, business or assets to another such entity (and thereafter liquidate, wind-up or dissolve or not, as TOGA may elect) if:

(1) TOGA is the surviving, resulting or transferee entity; or

(2) in the event that TOGA is not the surviving, resulting or transferee entity:

(a) such entity (A) is solvent and subject to service of process in the State and organized under the laws of the State or any other state, (B) is in good standing in the State, (C) assumes in writing all of the obligations of TOGA contained in the Site Lease, the Loan Agreement and all other Bond Documents to which TOGA shall be a party, and in the Opinion of Counsel delivered to the Issuer and the Trustee (x) such entity shall be bound by all of the terms applicable to predecessor entity under the Site Lease, the Loan Agreement and all other Bond Documents to which the predecessor entity

shall have been a party, and (y) such action does not legally impair the security afforded by the Security Documents, and (D) is not a Prohibited Person; provided however, that the restriction in this subsection shall not apply to any action taken by the Port Authority under the Site Lease or the Basic Lease;

(b) such entity delivers to the Issuer and the Trustee an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or transfer will not adversely affect the validity of the Bonds or the exclusion of interest on any Tax-Exempt Bonds from gross income under the Code; and

(c) such surviving, resulting or transferee entity shall operate the Facility in such a manner as to conform with all Legal Requirements; and

(3) in all cases, such transaction shall not otherwise be prohibited pursuant to the terms of any Bond Document.

Assignment or Sublease

Except as otherwise provided above under "DISSOLUTION OR MERGER OF TOGA; RESTRICTIONS ON TOGA", TOGA may not assign or transfer its interest in the Loan Agreement without the consent of the Issuer and the Trustee unless:

(1) any assignee or transferee of TOGA (w) has assumed in writing and has agreed to keep and perform all of the terms of the Site Lease, the Loan Agreement and the other Bond Documents and Security Documents on the part of TOGA to be kept and performed, (x) is subject to service of process in the State, (y) is qualified to do business in the State, and (z) is not a Prohibited Person;

(2) TOGA delivers to the Issuer and the Trustee (y) an Opinion of Counsel to the effect that such assignee or transferee is bound by all of the terms applicable to such entity of the Site Lease, the Loan Agreement and all other Bond Documents and Security Documents to which TOGA shall have been a party, and that such assignment or transfer does not legally impair the security afforded by the Security Documents, and (z) an Opinion of Bond Counsel to the effect that such assignment will not adversely affect the validity of the Bonds, or effect the exclusion of interest on any Tax-Exempt Bonds from gross income under the Code; and

(3) such assignment shall be in accordance with the provisions of the NFPC Law and shall not impair or limit in any material respect the obligations of any obligor under any Bond Document.

TOGA shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such assignment or transfer in substantially final form at least thirty (30) days prior to the date of execution thereof.

SUMMARY OF CERTAIN PROVISIONS OF THE COST SHARING AGREEMENT

The following is a summary of certain provisions of the Cost Sharing Agreement. This summary is not to be considered a full statement of the terms of the Cost Sharing Agreement and accordingly is qualified in its entirety by reference thereto and is subject to the full texts thereof.

Cost Allocation

Each Signatory Carrier will make payment to TOGA of its share of loan repayments due from TOGA to the Issuer under the Loan Agreement in the same proportion as such Signatory Carrier's Prorata Share under the Use Agreement with respect to payments due from TOGA to the NYCIDA under the lease agreement relating to the Prior Bonds. Such payments shall be made no later than one month prior to the date loan repayments are due from TOGA to the Issuer under the Loan Agreement.

Step-up Allocations

In the event a Signatory Carrier fails to make its payment obligations under the Cost Sharing Agreement, TOGA shall notify the defaulting Signatory Carrier and all other Signatory Carriers in writing of such default as soon as practicable, but in any event within ten (10) days of the occurrence of such default. If TOGA has not received such payment from the defaulting Signatory Carrier nor advanced funds on its behalf within ten (10) days after such notice, the other Signatory Carriers shall make supplemental payments in the manner described in and the respective amounts determined in accordance with the Use Agreements.

Extraordinary Costs

Any costs relating to acceleration or mandatory redemption of the Series 2015 Bonds shall be allocated among the Signatory Carriers and paid in the same manner as Extraordinary Costs under the Use Agreements.

Invoicing

Amounts payable by the Signatory Carriers with respect to loan repayments under the Loan Agreement or as Extraordinary Costs relating to acceleration or mandatory redemption of the Series 2015 Bonds, as allocated to the Signatory Carriers in accordance with the Cost Sharing Agreement, shall be included in invoices in the same manner as provided for rental payments under the NYCIDA lease agreement relating to the Prior Bonds in the Use Agreements and shall be paid in the manner provided in the Use Agreements.

Additional Debt Service

The provisions of the Cost Sharing Agreement with respect to the allocation of repayment obligations under the Loan Agreement and the Note to the Signatory Carriers shall apply with equal force and effect to any other repayment obligations arising from the issuance of additional indebtedness with respect to the Facilities, whether by the Issuer or otherwise.

Default

The failure of a Signatory Carrier to make any payment that has become due and payable to TOGA within the periods required by the Cost Sharing Agreement shall constitute a default thereunder and shall have the consequences attributed to Events of Default under the Use Agreements, provided, however, that: (i) waiver of any payment default shall be subject to the prior consent of the Issuer rather than the NYCIDA, and (ii) waiver of any amendment entered into in violation of the Use Agreements respecting the payment by the Signatory Carriers of its Prorata Share shall pertain to the Signatory Carriers' Prorata Share of loan repayments under the Loan Agreement as determined in accordance with the Cost Sharing Agreement rather than the NYCIDA lease agreement relating to the Prior Bonds and any such waiver shall be subject to the prior consent of the Issuer rather than the NYCIDA.

Third Party Beneficiary

The Trustee is designated a third party beneficiary of the Cost Sharing Agreement, on behalf of the Owners of the Series 2015 Bonds, and the Signatory Carrier's obligations to TOGA under the Cost Sharing Agreement may be enforced on behalf of the Owners of the Series 2015 Bonds by the Trustee. The Trustee shall have and may exercise, in addition to all other rights, privileges, or remedies available to it under the Indenture and by law, the specific rights and remedies, exercisable by the Trustee, only after being offered indemnification to its satisfaction, and at the direction of the majority of the Holders of the Series 2015 Bonds, to sue for and obtain specific performance of the Signatory Carriers' obligations set forth therein.

SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS

The following is a summary of certain provisions of the Use Agreements. This summary is not to be considered a full statement of the terms of the Use Agreements and accordingly is qualified in its entirety by reference thereto and is subject to the full texts thereof.

Term

Unless earlier terminated pursuant to the terms thereof, (a) each of the Use Agreements will terminate on the earliest of (i) the termination of the Site Lease prior to its expiration without renewal; or (ii) the later of (x) four days prior to the date on which the Port Authority surrenders possession of the Airport to the City following the termination or expiration of the Basic Lease (as the same may have been renewed or extended); or (y) one day prior to the date of termination or expiration of any lease for the Premises entered into by the City (or a successor, assignee or lessee of the City) as landlord, and TOGA, as tenant, for the Site, in effect upon termination or expiration of the Basic Lease (as the same may have been renewed or extended); provided that (b) notwithstanding subsection (a), the Use Agreements shall terminate not later than May 27, 2028. Notwithstanding the termination, modification or revocation of the Use Agreements or any Operative Document for any reason whatsoever, the obligation of each Signatory Carrier (i) to make payments pursuant to the related Use Agreement of its Prorata Share of Fixed Cost Tariffs and Net Variable Cost Tariffs (pursuant to the Minimum Usage Provisions set forth in such Use Agreement) and (ii) to provide indemnification and contribution

as provided in the related Use Agreement, will survive as an absolute, unconditional and unilateral contractual obligation of the Signatory Carrier.

Additional Facilities and Additional Preferential Facilities

TOGA will lease, finance, design, construct or purchase such Additional Facilities and/or Additional Preferential Facilities as TOGA determines are required after the Date of Substantial Completion, subject to the requirements of the Site Lease. TOGA will determine whether any additions to the Facility will be classified as Additional Facilities or Additional Preferential Facilities.

Additional, Non-Conforming Equipment

If a Signatory Carrier gives notice to TOGA that it cannot, for technical reasons, use in connection with its aircraft certain equipment provided as part of the Facility, its requirements shall be handled separately in the most reasonably economical manner as determined by TOGA. The amortization of the cost of any Additional Preferential Facilities required to so handle the requirements of the Signatory Carrier and any additional costs incurred by TOGA or other Signatory Carriers in connection therewith will be payable by the Signatory Carrier and will not be included in the Total Facilities Cost unless otherwise determined by TOGA. If TOGA shall so determine and other tenants make use of such Additional Preferential Facilities, TOGA will charge and collect such reasonable charges for such use and credit such payments as may be received to a Signatory Carrier's obligation to pay its Prorata Share of Net Variable Costs pursuant to the related Use Agreement.

Covenants Respecting Material Compliance With the Operative Documents; Quiet Enjoyment

TOGA covenants under each of the Use Agreements to fulfill and comply in all material respects with its obligations pursuant to the Operative Documents, such that upon performance of the agreements on the part of the Signatory Carriers to be performed under the Use Agreements, the Signatory Carriers shall peaceably have and enjoy the premises, appurtenances, rights, licenses and privileges under the Use Agreements.

Signatory Carriers

Use of the Facility. Except as otherwise provided pursuant to the Use Agreements, the Signatory Carriers are required to occupy and use the Facility for all of their passenger aircraft operations at the Airport. Such use and occupancy includes the right to conduct air transportation activities at the Facility, to act as a contract or private carrier, and to perform all operations and functions as are incidental, necessary or proper thereto.

Under the Use Agreements, TOGA leases to the Signatory Carriers and the Signatory Carriers hire and take from TOGA, on a preferential basis, the Preferential Areas benefiting the Signatory Carriers; *provided, however*, that the rights and obligations of TOGA and each of the Signatory Carriers pursuant to the Use Agreements are in all respects subject and subordinate to the terms and provisions of the Site Lease; *provided further*, that, upon revocation by the Port Authority of the Consent to Facility Sublease with respect to a Signatory Carrier, the Signatory

Carrier shall quit and surrender its use and occupancy of the Facilities at the written direction of TOGA. The Signatory Carriers will, at their sole cost and expense, make all non-structural repairs to their respective Preferential Areas as and when needed to preserve them in good working order and condition, reasonable wear and tear, obsolescence and damage from the elements, fire or other casualty excepted. The Signatory Carrier shall take good care of the Preferential Area of the Signatory Carrier and the fixtures and appurtenances therein, and at its sole cost and expense, make all non-structural repairs thereto as and when needed to preserve them in good working order and condition, reasonable wear and tear, obsolescence and damage from the elements, fire or other casualty excepted.

A Signatory Carrier shall not make any alterations, additions or improvements ("*Alterations*") to any portion of the Facilities without TOGA's prior written consent, which consent shall not be unreasonably withheld, provided such Alterations are in the interior of the Preferential Area of the Signatory Carrier, are nonstructural and do not affect the mechanical, plumbing, electrical or life safety systems or services of the Preferential Area or the Facilities. A Signatory Carrier shall promptly pay TOGA its reasonable out-of-pocket costs for reviewing the Signatory Carrier's plans and specifications and monitoring the construction of the Alterations. All Alterations shall be made at a Signatory Carrier's sole cost and expense by a contractor approved by TOGA. A Signatory Carrier shall also require its contractor to maintain insurance in such amounts and in such form as TOGA may require. Any construction, alteration, maintenance, repair, replacement, installation, removal or decoration by a Signatory Carrier shall be (i) completed in accordance with plans and specifications approved by TOGA, (ii) carried out in a good and workmanlike manner, (iii) in compliance with all applicable laws and requirements, and (iv) subject to TOGA's supervision. A Signatory Carrier shall keep the Facilities free from any Liens arising out of any work performed on behalf of the Signatory Carrier and shall not affect any estate or interest of TOGA in the Facilities. Any Alterations made by a Signatory Carrier shall, except to the extent title to such property passes to the City pursuant to the Site Lease, become TOGA's property upon installation and shall be surrendered with the Facilities upon the expiration or sooner termination of the tenancy created, except the Signatory Carrier shall, upon demand by TOGA and at the Signatory Carrier's expense, remove any Alterations designated by TOGA to be removed, and restore the Facilities to their original condition, reasonable wear and tear excepted. At TOGA's election, property not so removed shall be deemed abandoned and title to such property shall pass to TOGA, subject in any event to the provisions of the Site Lease.

Use of Other Airport Facilities. TOGA recognizes that the Signatory Carriers may from time to time operate passenger aircraft at other facilities at the Airport. Passengers enplaned or deplaned or aircraft arrivals or departures at such other Airport facilities and making no use of the Facility due to the unavailability of the Facility or upon exceptional circumstances, as determined by TOGA, will not be included in the calculation of the Tariffs under the Use Agreements, *provided, however*, that if TOGA determines that such aircraft arrivals and departures could have reasonably operated at the Facility, or that such enplaned or deplaned passengers could have reasonably been handled at the Facility, the calculation of Fixed Cost Tariffs and Net Variable Cost Tariffs will reflect such operations as if the operations had occurred at the Facility. The Signatory Carriers may, subject to the approval of TOGA, utilize other facilities at the Airport without incurring Tariffs as described under this heading; *provided*

however, that, the Signatory Carrier may operate Interchange Flights at other facilities at the Airport without incurring Tariffs as provided in the related Use Agreement.

Wholly Owned Air Carriers; Interchange Flights at the Facility

The activity, rights and obligations of a Wholly Owned Air Carrier of any Signatory Carrier will be treated as the activity, rights and obligations of such Signatory Carrier. The Signatory Carriers will be obligated to provide for the timely payment and collection of such Wholly Owned Air Carrier's obligations. Interchange Flights of any Signatory Carrier at the Facility shall be deemed by TOGA to be operated by such Signatory Carrier.

Contract Carriers

TOGA may determine to enter into contracts, with terms of at least one (1) year, with Contract Carriers to lease, use and occupy the Facility on terms established by TOGA; *provided, however*, that TOGA may surcharge Contract Carriers for occupancy and use of the Facility including, but not limited to, by calculating Tariffs charged to Contract Carriers without credit by TOGA of Variable Revenues.

Subject to the prior written consent of the Port Authority, Signatory Carriers may directly contract with a Contract Carrier to provide handling services against the account of the Contract Carrier. Revenues derived by Signatory Carriers pursuant to such handling arrangements shall be for the account of the respective Signatory Carrier and will not constitute "Partnership Revenues" for the purpose of the Use Agreements; *provided, however*, that the Signatory Carrier will provide directly to the Port Authority amounts payable respecting such handling services pursuant to the Site Lease.

Itinerants and Other Non-Air Carrier Users

TOGA may determine to permit Itinerant Air Carriers, Concessionaires, Handling Companies, Into Plane Contractors and Permittees to lease, use and occupy the Facility, on terms established by TOGA. Subject to the prior written consent of the Port Authority, TOGA may enter into contracts, licenses or permits as determined by TOGA, with respect to such usage.

Cost Center Provisions

The aggregate of all Fixed Cost Tariffs payable each Fiscal Year under the Use Agreements will be sufficient to pay the total Fixed Costs for such Fiscal Year. Fixed Costs for the Facility include (i) rental payments pursuant to the Site Lease, and (ii) any other amounts which are necessary to comply with the requirements of the Site Lease. Each Signatory Carrier absolutely, unconditionally and irrevocably agrees and promises to pay its Prorata Share, calculated pursuant to the Use Agreements of TOGA's payment obligations under the Site Lease, including those respecting Port Authority Construction Payments. Each Signatory Carrier absolutely, unconditionally and irrevocably agrees and promises to pay its Prorata Share, calculated pursuant to the Use Agreements, of TOGA's payment obligations under any Partnership Interest Rate Exchange Contract.

The aggregate of all Net Variable Cost Tariffs payable each Fiscal Year under the Use Agreements, will be sufficient to pay the total Net Variable Costs for such Fiscal Year. "*Net Variable Costs*" for a Cost Center are the Variable Costs net of Variable Revenues respecting such Cost Center. Variable Costs include, without limitation, (i) certain TOGA and General Partner expenses including, taxes and insurance; (ii) certain executive director office expenses including, payments under a management contract, salaries, benefits, payroll taxes, accounting fees, insurance, legal and other professional fees, and the cost of certain equipment; and (iii) facility maintenance, repair and operations expenses, including costs associated with employees employed at, or doing work involving, the Facility, costs of materials, supplies, and equipment, utilities costs, insurance costs, amounts required to be deposited into certain reserves, and all other direct or indirect expenses, as determined by TOGA which arise out of TOGA's operation of the Facility.

The sum of the Prorata Shares of the Signatory Carriers will aggregate one hundred percent (100%) of the Fixed Cost Tariffs and the Net Variable Cost Tariffs payable in each Fiscal Year. In order to allocate the Fixed Costs and the Net Variable Costs among the Signatory Carriers, various areas of the Facility have been grouped together as Cost Centers for the purpose of accounting for the Fixed Costs and the Net Variable Costs. The Use Agreements contain methodologies for allocating Fixed Costs and Variable Costs to each Cost Center, such that one hundred percent (100%) of the Fixed Costs and one hundred percent (100%) of the Variable Costs are allocated to the Cost Centers.

The following Cost Centers are created under the Use Agreements: (i) Preferential Area Cost Center; (ii) Preferential Projects Cost Center; (iii) Aircraft Apron and Taxiway Area Cost Center; (iv) TOGA Cost Center; (v) Check-In Counter Area Cost Center; (vi) Landside Public Area Cost Center; (vii) Federal Inspection Service (FIS) Area Cost Center; (viii) Domestic Bag Claim Area Cost Center; (ix) Upper Level Concourse Area Cost Center; (x) Lower Level Concourse Area Cost Center; and (xi) Systems Cost Center. If, for any reason, there is a deficit in any Cost Center, such deficit will be included as a Variable Cost in the Preferential Area Cost Center and the Preferential Area Cost Center Net Variable Cost Tariffs will be adjusted, as practicable, in the Use Agreements.

The Use Agreements set forth specific calculations for each Cost Center to determine a Signatory Carrier's Prorata Share of Fixed Costs and Net Variable Costs for such Cost Center. These calculations take into account the proportionate usage or interest of a Signatory Carrier with respect to, among other things, (i) Aircraft Arrivals and/or Departures, (ii) square feet of a Signatory Carrier's Preferential Area Cost Center, (iii) the number of a Signatory Carrier's common check-in position hours, (iv) Enplaned Passengers, (v) Domestic and International Deplaned Passengers, (vi) the number of a Signatory Carrier's electronically counted outbound bags, and (vii) fuel gallonage.

The Use Agreements establish minimum usage provisions to provide for the minimum Prorata Share of Fixed Costs and Net Variable Costs payable by each Signatory Carrier for each Cost Center. These minimum usage provisions will be used for the calculation of Cost Center Tariffs in the event that total Enplaned Passengers at the Facility are less than 1.2 million in any Fiscal Year and any Signatory Carrier's Cost Center estimated activity (as provided under the heading "Activity Reports," below) or actual activity (as provided under the heading "Final

Audit," below) is less than its Cost Center minimum usage amount as calculated in the Use Agreement. In no event, however, shall any Signatory Carrier's activity level in any Cost Center be calculated as less than "one" in any Fiscal Year.

Allocation of Extraordinary Costs

TOGA may approve the expenditure of Extraordinary Costs and will determine the method of allocating among the Signatory Carriers the responsibility for any single payment or obligation. The method of allocating any such Extraordinary Cost will be on such basis as TOGA determines and will represent an equitable allocation of the Extraordinary Cost among the Signatory Carriers.

Total Facilities Cost Exceptions

The following costs incurred by TOGA will not be part of the Total Facilities Cost, but will instead be charged directly to the applicable Air Carrier as determined by TOGA: (i) costs incurred at the sole request of and for the sole benefit of the Air Carrier being charged; (ii) costs incurred as a result of the negligence of the Air Carrier being charged; and (iii) costs incurred to repair damage to the Facility caused by the Air Carrier being charged or its agents or employees.

Advance Payments Account

TOGA shall include in the calculation of each Signatory Carrier's Prorata Share of Fixed Cost Tariffs amounts required from time to time to establish and maintain an Advance Payments Account balance in the amount of 25% of Total Facilities Cost for the then-current Fiscal Year, as determined by TOGA.

Activity Reports

The Signatory Carriers will each submit, by the fifth (5th) Business Day of each month, an activity report for the preceding month and an estimate for the current month for its respective activity related to the Facility. Not later than ninety (90) days prior to the end of each Fiscal Year, the Signatory Carriers will each furnish TOGA with an estimate of Enplaned Passengers, Deplaned Passengers, Deplaned Domestic Passengers, Deplaned International Passengers, Aircraft Arrivals, Aircraft Departures, aircraft fuel Gallons, Common Check-In Counter Hours, automotive fuel Gallons and other statistics as reasonably required by TOGA, for such Fiscal Year.

Invoicing

By the tenth calendar day of each month, TOGA will submit invoices to each Signatory Carrier for any amounts payable by such Signatory Carrier pursuant to the related Use Agreement, which amounts will constitute rent thereunder, including: (i) each Signatory Carrier's Prorata Share of Fixed Cost Tariffs, which invoice shall specify in reasonable detail such amounts attributable for such month to: (A) Site Lease rent; and (B) any other amounts as determined by TOGA; (ii) each Signatory Carrier's Prorata Share of Net Variable Cost Tariffs, which invoice shall specify in reasonable detail the amounts attributable for such month to Variable Cost and Variable Revenue; (iii) each Signatory Carrier's allocation of Extraordinary

Costs, assessments, fees or dues; (iv) any costs charged directly to the Signatory Carrier pursuant to the related Use Agreement; (v) any costs incurred by TOGA charged directly to the Signatory Carrier pursuant to the related Use Agreement; and (vi) any other amounts payable pursuant to the related Use Agreement.

The Prorata Share of the Fixed Costs and Net Variable Costs established pursuant to the Use Agreements will be payable by each Signatory Carrier monthly in advance. Under the Use Agreements each Signatory Carrier will pay invoiced amounts, constituting rent, no later than the first Business Day of the month following the invoice submittal. Not more than four (4) times during any Fiscal Year, TOGA will, if necessary, adjust the invoiced amounts respecting Net Variable Costs to conform to the then current forecast for Total Facilities Costs; *provided, however*, that the foregoing notwithstanding, TOGA may make such revision and adjustment at any time to comply with the terms and provisions of the Site Lease and the Loan Agreement.

Temporary Shutdown

In the event of a temporary shutdown of the Airport or the Facility for any reason or in the event that none of the Signatory Carriers is using the Facility, such that no actual use has been made of the Facility by any of the Signatory Carriers for thirty (30) consecutive days, TOGA will determine the allocation of the Total Facilities Costs to each Signatory Carrier on the basis of the Signatory Carrier's Prorata Share of Fixed Cost Tariffs and Net Variable Cost Tariffs for the twelve (12) months immediately preceding the commencement of such temporary shutdown.

Final Audit

Within one hundred and twenty (120) days after the close of each Fiscal Year, TOGA will furnish each Signatory Carrier with a copy of an annual audit report, covering the operation of the Facility. The Final Audit will contain a calculation, based on actual data, of the aggregate Tariffs and other charges chargeable to Signatory Carriers for the preceding Fiscal Year, and will set forth the aggregate Tariffs and other charges actually paid by the Signatory Carriers for such period. If Tariffs and other charges actually paid by any Signatory Carrier were greater than the respective amounts chargeable to such Signatory Carrier pursuant to the Final Audit, such Signatory Carrier will receive credits in the amount of such overpayment against the next ensuing monthly invoices for Tariffs and other charges until such Signatory Carrier has received the full amount of such credits as determined by TOGA. If Tariffs and other charges actually paid by any Signatory Carrier were less than the amounts chargeable to such Signatory Carrier, then the monthly invoice for Tariffs and other charges for the next succeeding month will be increased by the amount of such underpayments.

Advance by TOGA

If a Signatory Carrier fails to make any payment or perform or observe any obligation required of it under the related Use Agreement, TOGA may (but shall not be obligated to), and without waiver of any of the rights of TOGA thereunder, make such payment or otherwise cure any failure by such Signatory Carrier to perform and observe its other obligations thereunder, through operation of the Advance Payments Account or otherwise. All amounts so advanced

therefor by TOGA will remain the obligation of the Signatory Carrier to TOGA, which amounts, together with interest thereon from the date advanced, the Signatory Carrier will pay upon demand therefor by TOGA.

Supplemental Payments by Signatory Carriers Upon Air Carrier or Other Tenant Default

If TOGA has not received payment when due and payable by an Air Carrier (including, without limitation, any of the Other Signatory Carriers) or other tenant of the Facility (such Air Carrier or other tenant, together with any Signatory Carrier having undertaken such payment obligation of its Wholly-Owned Air Carrier, Majority-Owned Air Carrier or Minority-Owned Air Carrier, a "*Defaulting Carrier*") to TOGA with respect to Total Facility Costs, Extraordinary Costs, Supplemental Invoice Payments or any other charges respecting the Facility, TOGA will notify the Defaulting Carrier and all Signatory Carriers in writing of such default as soon as practicable, but in any event within ten (10) days of the occurrence of such default.

If TOGA has neither received such payment from the Defaulting Carrier nor advanced funds on its behalf within ten (10) days after such notice, TOGA will issue a 1st Supplemental Invoice to the Signatory Carriers for their respective Prorata Share of such payment, calculated pursuant to the Cost Center provisions of the Use Agreements. The aggregate amount so invoiced by TOGA to the Signatory Carriers receiving such a Supplemental Invoice will equal the amount of such Defaulting Carrier's payment remaining due and payable. If TOGA has not received payment from each of the Supplemental-Invoice Signatory Carriers so invoiced for the 1st Supplemental Invoice on the first (1st) Business Day of the next month, TOGA will notify the Defaulting Carrier with respect to the 1st Supplemental Invoice on or about the second (2nd) Business Day, or as soon as practicable, with a notice to the Signatory Carriers, that payment has not been received. TOGA will continue the above notice and invoice procedures until all required monies have been received.

Solely for the purposes of the provisions of the Use Agreements summarized under this heading, "Supplemental Payments by the Signatory Carrier Upon Air Carrier or Other Tenant Default," Supplemental Invoice Payments will be calculated assuming that any Defaulting Carrier does not have a payment obligation to TOGA for the period in question and the payment obligation of Supplemental-Invoice Signatory Carriers will be increased accordingly. If a Defaulting Carrier is one of the Signatory Carriers, then for purposes of calculating the Prorata Shares of All Signatory Carriers under the Use Agreements, the Defaulting Carrier shall not be deemed a Signatory Carrier and, accordingly, the Prorata Share of each Signatory Carrier will increase such that the payment obligations of all Defaulting Carriers is provided for by the Supplemental-Invoice Signatory Carriers. If a Defaulting Carrier is a Contract Carrier or Itinerant Air Carrier or other tenant of the Facility, then the Prorata Share of each Signatory Carrier of Net Variable Cost Tariffs will be calculated without regard to Variable Revenues attributable to such Defaulting Carrier. Supplemental Invoice Payments will not be subject to offset by the Signatory Carriers or otherwise affect the Signatory Carriers' obligations under the related Use Agreements. To the extent that any prior payment by a Defaulting Carrier has been recovered from TOGA pursuant to the United States Bankruptcy Code or other similar insolvency proceedings, TOGA shall deem such Defaulting Carrier's payment so disgorged as remaining due and payable and increase the payment obligation of the Supplemental Invoice Signatory Carriers accordingly.

Events of Default

Any one or more of the following events constitute an "Event of Default" by a Signatory Carrier under its Use Agreement: (i) the failure of the Signatory Carrier to make any payment that has become due and payable to TOGA within the periods required by the related Use Agreement; or (ii) the entry, by a court of the United States or any state thereof which court has jurisdiction, of a decree or order for relief in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or appointing a receiver, liquidator, trustee, custodian (or similar official) of all or a substantial part of a Signatory Carrier's property or ordering the winding up or liquidation of its affairs, and such decree or order shall remain in effect for a period of 60 calendar days; or (iii) the commencement by the Signatory Carrier of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or a petition in bankruptcy or for relief in any involuntary case under any such law shall not have been dismissed for a period of 60 consecutive days, or the consent to the appointment of or taking possession by a receiver, liquidator, trustee, custodian (or similar official) of all or a substantial part of a Signatory Carrier's property or the making by the Signatory Carrier of a general assignment for the benefit of creditors or the failure or admission in writing by such Signatory Carrier of its inability to pay its debts generally as they mature or the taking by the Signatory Carrier of any corporate action in furtherance of any of the foregoing; or (iv) the failure of the Signatory Carrier to maintain insurance coverage in the amount and manner required to be maintained pursuant to the related Use Agreement; (v) the failure of the Signatory Carrier to observe and perform any other covenant, condition or agreement thereunder on its part to be performed (except as set forth in (i) and (iv) above) and (1) continuance of such failure for a period of 60 days after receipt by such Signatory Carrier of written notice specifying the nature of such default from TOGA or (2) if by reason of the nature of such default the same can be remedied, but not within the said 60 days, the Signatory Carrier fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; or (vi) TOGA shall have received written notice from the Port Authority of the revocation by the Port Authority of the Consent to Facility Sublease respecting the Signatory Carrier.

Default Notice, Invoice and Payment

Late Payment Notice. If TOGA has not received payment on the first (1st) Business Day of the month from a defaulting Signatory Carrier as described under the heading "Invoicing" above, for payment of Fixed Cost Tariffs or Net Variable Cost Tariffs, any Extraordinary Costs payable by any Carrier, Supplemental Payments or any other charges, TOGA shall notify the Signatory Carrier, in writing, on or about the second (2nd) Business Day of the default, or as soon as practicable, with a notice to the other Signatory Carriers, that payment has not been received.

Supplemental Invoice. With respect to a payment default by a Signatory Carrier, if TOGA has not received such late payment by the tenth (10th) calendar day of such month as required under the related Use Agreement, TOGA, as it determines, shall draw on the Advance Payment Account or issue a Supplemental Invoice to the other Signatory Carriers. A draw by TOGA on the Advance Payment Account shall be against the sub-account of the defaulting Signatory Carrier.

Signatory Carrier. The Prorata Share of each of the other Signatory Carriers will be determined in accordance with the Cost Center Provisions adjusted to reflect a payment default in the manner provided in the respective Use Agreements. Payment of such Supplemental Invoice by the other Signatory Carriers will not relieve the defaulting Signatory Carrier of its payment obligation under the related Use Agreement. Payments subsequently received by TOGA from the Signatory Carrier to cure such default will be credited by TOGA to the Advance Payment Account sub-account of the Signatory Carrier pursuant to the Use Agreements or the other Signatory Carriers respecting Supplemental Invoices for Tariffs and other charges as determined by TOGA.

Consequence of Default

TOGA will, upon an Event of Default, determine whether any explanation given for the default by the defaulting Signatory Carrier is sufficient to excuse such default. The Signatory Carrier shall be given the opportunity to explain such Event of Default in writing, addressed to TOGA and received no later than the tenth day following the occurrence of the Event of Default or by appearing at a meeting called by TOGA to discuss such Event of Default within ten days of the occurrence of the Event of Default. TOGA will deliver written notice to the defaulting Signatory Carrier within ten days after receipt of the Signatory Carrier written request or within ten days after the meeting called to discuss such Event of Default advising the Signatory Carrier of TOGA decision whether and to what extent and duration to waive such Event of Default. TOGA shall not so waive without the prior consent of the Issuer or its applicable assignees a default resulting from any amendment of the Use Agreements entered into in violation thereof. If any Event of Default is waived by TOGA, such waiver will be limited to the particular default so waived and will not be deemed to waive any other breach under the related Use Agreement.

Penalties

Penalty for Late Payments. In the event that a Signatory Carrier shall fail to make any payment when due under the related Use Agreement, TOGA will immediately begin the procedures set forth therein. The Signatory Carrier will be obligated to pay the amount of the late payment plus late charges equal to the prime rate of Citibank, N.A., plus 3%, through the date payment is received by TOGA.

Loss of Facility Usage Provisions. If an Event of Default, pursuant to provisions in the Use Agreement, is not cured within thirty (30) days from the date of such default, then the defaulting Signatory Carrier will lose its rights to all of its Flight Priority respecting Scheduled Grandfathered Flights pursuant to the related Use Agreement, as may be determined by TOGA.

Loss of Credit to Signatory Carrier of Variable Revenues Against Variable Costs. If an Event of Default pursuant to provisions in any Use Agreement is not cured within thirty (30) days from the date of such default, then the defaulting Signatory Carrier will lose any allocation by TOGA pursuant to the Use Agreement of Variable Revenues in calculating Net Variable Costs. The defaulting signatory Carrier will pay its Prorata Share of Tariffs based on Fixed Costs and Variable Costs, as provided in the related Use Agreement.

Failure to Cure a Default. If an Event of Default, pursuant to provisions in the Use Agreement, is not cured within ninety (90) days from the date of such default, then the defaulting Signatory Carrier will lose its rights to use and occupancy of the Facility under the related Use Agreement, but will remain as a Signatory Carrier for the purposes of the minimum usage provision contained in the related Use Agreement; *provided, however*, that such ninety (90) day cure period will not apply to an Event of Default respecting item (vi) as summarized under the heading "EVENTS OF DEFAULT" under this section. The Signatory Carrier immediately shall quit and surrender to TOGA the Facilities, including the Preferential Area of the Signatory Carrier in good order and condition, ordinary wear excepted, and the Signatory Carrier will recover all its property. If the Signatory Carrier shall default in so surrendering the Facilities, the Signatory Carrier's occupancy subsequent to such expiration, whether or not with the consent or acquiescence of TOGA, shall be deemed to be that of tenancy at will and in no event from month to month or from year to year, and it shall be subject to the same terms and conditions of its Use Agreement, and no extension or renewal of its Use Agreement shall be deemed to have occurred by such holding over.

Wholly Owned Air Carriers

A Wholly Owned Air Carrier's activity, rights and obligations will be treated as the activity, rights and obligations of the Signatory Carrier except as provided in the related Use Agreement. A Signatory Carrier will be obligated to provide for the timely payment and collection of a Wholly Owned Air Carrier's obligations pursuant to the terms of the related Use Agreement.

Majority Owned and Minority Owned Air Signatory Carriers

Any obligations to TOGA of a Majority Owned or Minority Owned Air Carrier by virtue of its agreement with TOGA will be the obligation of the Signatory Carrier, including, but not limited to, the timely payment and collection of Tariffs or other charges otherwise due and payable to TOGA.

Insurance

Each Signatory Carrier agrees to maintain such insurance as required under the related Use Agreement, or from time to time by TOGA, the Port Authority pursuant to the applicable Consent to Facility Sublease, the Issuer or the Trustee pursuant to the Loan Agreement, and to provide evidence of insurance as reasonably requested by TOGA, the Port Authority, the Issuer or the Trustee. TOGA agrees to maintain such insurance as may be required from time to time by the Port Authority pursuant to the Site Lease or the Issuer or the Trustee pursuant to the Loan Agreement, and to provide evidence of insurance as reasonably requested by a Signatory Carrier.

Cessation of Operations at the Facility

If, upon a Cessation of Operations by a Signatory Carrier at the Facility, such Signatory Carrier continues passenger aircraft operations at the Airport, and TOGA determines that such passenger aircraft operations could have reasonably operated at the Facility, then Tariffs and other charges will be applied by TOGA to such Airport operations by the Signatory Carrier as if

the operations had occurred at the Facility and such Signatory Carrier will be subject to conditions as provided for in the related Use Agreement.

Effect of Cessation of Operations

Upon a Cessation of Operations at the Facility or the Airport, a Signatory Carrier will (i) lose all rights to its previously existing Flight Priority as provided for in the related Use Agreement; (ii) continue to be responsible for payment of all of its minimum usage provisions obligations, including, without limitation, the Preferential Area Cost Center and Preferential Project Cost Center and Supplemental Invoice Payments; and (iii) shall continue to be responsible for payment of any of its Extraordinary Costs obligations and any of its assessments, fees or dues in effect at the time of such Cessation of Operations. If the Signatory Carrier reinstates aircraft and passenger operations at the Facilities, the Signatory Carrier's access to the Flight Priority Order shall be subject and subordinate to Other Signatory Carrier's existing flights and existing contracts with Contract Carriers at the time of reinstated operations.

If so requested by one or more of the Other Signatory Carriers, all or a portion of the Preferential Area of a Signatory Carrier may be allocated among the Other Signatory Carriers so requesting, based on their respective Prorata Share of Total Facilities Costs paid in the preceding Fiscal Year or, if none of the Other Signatory Carriers so request, any Air Carrier, as determined by TOGA. Upon such allocation as described in this heading, TOGA will credit amounts received from such of the Other Signatory Carriers or Air Carrier receiving such allocation against the account of the Signatory Carrier; provided, however, that any such credit will be applied only as against the Prorata Share of Total Facilities Costs of the Signatory Carrier for the period of such allocation.

Notwithstanding the foregoing, a Signatory Carrier will not be deemed to have caused a Cessation of Operations at the Facility or the Airport if during any period of time, substantially all of the Facility is shut down or inoperable for any reason. Cessation of Operations by a Signatory Carrier will not constitute a release by TOGA from any of the obligations under the related Use Agreement of the Signatory Carrier.

Assignment by a Signatory Carrier

A Signatory Carrier may sell, assign, sublease or transfer its interests, rights and obligations pursuant to the related Use Agreement to a Wholly Owned Air Carrier or to another Air Carrier with which it merges or into which it consolidates, if the transferee is concurrently becoming one of the Other Signatory Carriers pursuant to the related Use Agreement or as otherwise agreed to by TOGA. Upon the event of a consolidation or merger of a Signatory Carrier with one or more of the Signatory Carriers, the rights and obligations with respect to the related Use Agreement of such Signatory Carrier will be combined with such of the Other Signatory Carriers with which such Signatory Carrier has merged or consolidated.

Amendments

The Use Agreements may be amended only with the consent of all Signatory Carriers and TOGA. An amendment will be effective only if evidenced by a writing which sets forth the text of the amendment and which is signed by all Signatory Carriers and TOGA. The consent of

TOGA may be conditioned on the consent of certain third parties pursuant to the Operative Documents.

Arbitration

Any dispute arising under the terms of a Use Agreement between the parties thereto will be resolved by binding arbitration in New York, New York, under the administration and rules of the American Arbitration Association. The costs of arbitration will be borne by the losing party, with any dispute as to such parties' identity to be resolved by the arbitrator.

LITIGATION

The Issuer

There is not now pending nor, to the best knowledge of the Issuer, threatened any litigation or proceedings against the Issuer seeking to restrain or enjoin the issuance or delivery of the Series 2015 Bonds, or questioning or affecting the validity or enforceability of the Series 2015 Bonds, the Indenture, the Note or the Loan Agreement or the proceedings and authority of the Issuer under which the Series 2015 Bonds are to be issued or the pledge or application of moneys or the security provided for the payment of the Series 2015 Bonds. Neither the creation, organization and existence of the Issuer, nor the title of the present directors or other officials of the Issuer to their respective offices, is being contested.

TOGA and the Signatory Carriers

There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body known to TOGA or any of the Signatory Carriers to be pending, or threatened against TOGA or any of the Signatory Carriers or, to any of its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Series 2015 Bonds, the Indenture, the Cost Sharing Agreement, the Note, the Loan Agreement or the Use Agreements or any agreement or instrument to which TOGA or any of the Signatory Carriers is a party and which is contemplated for use in the transactions contemplated by this Official Statement.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2015 Bonds for interest on the Series 2015 Bonds to be and remain not includable in gross income of the owners thereof under Section 103 of the Code. Included among the continuing requirements of the Code are certain restrictions and prohibitions on the use of the proceeds of the Series 2015 Bonds and the use of Terminal One, restrictions on the investment of such proceeds and other amounts, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with these continuing requirements may cause the interest on the Series 2015 Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In such event, no provision has been made to redeem the Series 2015 Bonds, to increase the interest rate on the Series 2015 Bonds, or to indemnify Bondholders for resulting costs and losses (*e.g.,* tax

deficiencies, interest and penalties, loss of market value of Series 2015 Bonds, etc.). See “RISK FACTORS —Possible Loss of Tax-Exempt Status of Interest on Series 2015 Bonds.” In the Indenture, the Loan Agreement, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 of the Issuer and TOGA (the “Tax Certificate”), and accompanying documents, exhibits, and certificates, the Issuer and TOGA have covenanted to comply with certain procedures, and they have made certain representations and certifications, designed to assure compliance with the requirements of the Code. Although TOGA has agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur, nor that TOGA can, or, through its efforts, control the occurrence of any such event.

In the opinion of Winston & Strawn LLP and the Hardwick Law Firm, LLC, both of New York, New York, Co-Bond Counsel, assuming continuing compliance by the Issuer and TOGA (and their successors) with the covenants, and the accuracy of the representations and certifications referenced above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2015 Bonds is not includable in gross income for federal income tax purposes; except that no opinion is expressed as to the non-inclusion of interest on any Series 2015 Bond in gross income for federal income tax purposes during the period that such Series 2015 Bond is held by a “substantial user” of the facilities refinanced by the Series 2015 Bonds or a “related person” within the meaning of Section 147(a) of the Code.

Co-Bond Counsel is of the further opinion that interest on the Series 2015 Bonds is an “item of tax preference” to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations.

Reference is made to APPENDIX F hereto for the proposed form of the approving opinion expected to be rendered by Co-Bond Counsel in connection with the Series 2015 Bonds.

Certain maturities of the Series 2015 Bonds are initially offered to the public at prices in excess of their principal amounts and such excess will constitute bond premium in the case of said maturity of the Series 2015 Bonds sold at its initial offering price (the “Premium Bonds”). An initial purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease its adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own advisors with respect to the calculation of the amount of the bond premium that will be treated for federal income tax

purposes as having amortized for any taxable year (or portion thereof) of such owners and with respect to the federal, state and local tax consequences of owning Premium Bonds.

The opinions of Co-Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. Such opinions represent Co-Bond Counsel's legal judgment as to exclusion of interest on the Series 2015 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinions are not binding on the Internal Revenue Service (the "IRS") or any court. Further, Co-Bond Counsel cannot give, and has not given, any opinion or assurance about the future activities of the Issuer or TOGA, or about the effect of future changes in the Code, applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer and TOGA have covenanted, however, to comply with the requirements of the Code.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally-recognized bond counsel. Winston & Strawn LLP and the Hardwick Law Firm, LLC express no opinion as to the effect on the exclusion from gross income for federal tax purposes, and as to the effect on the non-inclusion in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, of interest on the Series 2015 Bonds of any such change occurring, or such action or other action taken or not taken, upon the advice or approval of bond counsel other than Winston & Strawn LLP and the Hardwick Law Firm, LLC.

Prospective purchasers of the Series 2015 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors as to any possible collateral tax consequences in respect of the Series 2015 Bonds. Co-Bond Counsel express no opinion regarding any such collateral tax consequences.

In the opinion of Co-Bond Counsel, assuming continuing compliance by the Issuer and TOGA (and their successors) with the requirements of the Code that must be met in order for interest on the Series 2015 Bonds to be not includable in gross income for federal income tax purposes, interest on the Series 2015 Bonds is also not includable in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, under existing statutes and regulations; except that no opinion is expressed as to the non-inclusion of interest on any Series 2015 Bond in taxable income for purposes of such personal income taxes during the period that such Series 2015 Bond is held by a "substantial user" of the facilities refinanced by the Series 2015 Bonds or a "related person" within the meaning of Section 147(a) of the Code.

Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2015 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 Bonds. Future tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax exempt status of interest on the Series 2015 Bonds under federal or state law. For example, the Fiscal Year 2015 Budget proposed on March 4, 2015 by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2015, Dave Camp, then Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2015; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date. It is not possible to predict whether or in what form the foregoing proposals (or other proposals which may adversely affect the value of, or the tax status of, interest on municipal bonds, including the Series 2015 Bonds) will be introduced as bills into Congress or adopted as legislation. Prospective purchasers of the Series 2015 Bonds should consult their tax advisors regarding any pending or proposed federal or state tax legislation. Further, no assurance can be given that the introduction or enactment of any proposed legislation, or a future court decision, or any action of the Internal Revenue Service, including but not limited to regulation, ruling, or selection of the Series 2015 Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2015 Bonds, or obligations which present similar tax issues, will not affect the market prices and marketability of the Series 2015 Bonds.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2015 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to the "backup withholding," which means that the payor of interest is required to deduct and withhold a tax from the payment, calculated in the manner set forth in the Code. If an owner purchasing a Series 2015 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2015 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Co-Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Issuer, TOGA or the beneficial owners of the Series 2015 Bonds

regarding the tax status of interest on the Series 2015 Bonds in the event of an audit by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2015 Bonds, under current procedures parties other than the Issuer, TOGA and their appointed counsel, including the beneficial owners of the Series 2015 Bonds, would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with any audit of tax-exempt bonds is difficult, obtaining an independent judicial review of IRS positions with which the Issuer or TOGA legitimately disagrees, may not be practical. Any action of the IRS, including but not limited to selection of the Series 2015 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for, or the marketability of, the Series 2015 Bonds, and may cause the Issuer, TOGA, and the beneficial owners of the Series 2015 Bonds to incur significant expense.

VERIFICATION REPORT

Grant Thornton LLP will deliver to the Issuer and the Trustee, on or before the date of issuance of the Series 2015 Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Securities, to pay, when due and at early redemption, the principal of and interest on the Prior Bonds and (b) the mathematical computations of yield used by Co-Bond Counsel to support its opinion that interest on the Series 2015 Bonds will be excluded from gross income for federal income tax purposes.

Such verification report will be solely based upon data, information and documents provided to Grant Thornton LLP by the Issuer and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Issuer and its representatives and has not evaluated or examined the assumptions or information used in the computations.

LEGAL MATTERS

Legal matters in connection with the authorization, issuance and sale of the Series 2015 Bonds are subject to the approving opinion of Winston & Strawn LLP and the Hardwick Law Firm, LLC, both of New York, New York, Co-Bond Counsel, which opinion will be substantially in the form attached to this Official Statement as APPENDIX F. Certain legal matters will be passed upon by D. Seaton and Associates, P.A., P.C., New York, New York, Disclosure Counsel. Certain legal matters will be passed upon for the Issuer by its General Counsel, for TOGA by Sidley Austin LLP, New York, New York, and for the Underwriters by Nixon Peabody LLP, New York, New York. In addition, certain legal matters will be passed upon for (i) Air France by Pillsbury Winthrop Shaw Pittman LLP, New York, New York, and Société Air France by Sophie Gelbert, General Counsel, Paris, France; (ii) JAL by Pillsbury Winthrop Shaw Pittman LLP, New York, New York, and Tokyo, Japan; (iii) Korean Air by Morrison & Foerster LLP, New York, New York, and by Lee & Ko, Seoul, the Republic of Korea; and (iv) Lufthansa German Airlines by Arthur J. Molins, Esq., General Counsel, the Americas, East Meadow, New York, and by Stefan Kueper, Lufthansa German Airlines Law Department, General Counsel, Frankfurt, Germany. Mr. Molins also serves as the Chief Executive Officer of TOGA.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Investors Service, Inc. ("Fitch") have assigned their municipal bond ratings of "Baa1" and "A-", respectively, to the Series 2015 Bonds. A rating reflects only the views of the rating agency assigning such rating at the time such rating was given and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such ratings will remain in effect for any given period of time or that they may not be lowered, suspended or withdrawn entirely by such rating agencies, if in their judgment, circumstances so warrant. Any such downward change in or suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2015 Bonds. The Issuer and the Underwriters have undertaken no responsibility either to bring to the attention of the registered owners of the Series 2015 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

UNDERWRITING

Pursuant to the terms of a Purchase Contract (the "Purchase Contract") between the Issuer and Citigroup Global Markets Inc., as representative of the underwriters (the "Underwriters"), the Underwriters have agreed, jointly and severally, to purchase the Series 2015 Bonds at a purchase price of $185,517,057.67, which is the par amount of the Series 2015 Bonds, plus an original issue premium of $19,929,816.05, less an underwriting discount of $1,672,758.38. The Purchase Contract provides that the obligation of the Underwriters is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2015 Bonds if any of the Series 2015 Bonds are purchased. The Series 2015 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2015 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering prices. After the initial public offering, the public offering prices of the Series 2015 Bonds may be changed from time to time by the Underwriters. TOGA and each of the Signatory Carriers has agreed to indemnify the Underwriters and the Issuer against certain liabilities or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

In addition, certain of the other Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Issuer as Underwriters) for the distribution of the Series 2015 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. In addition, to the extent an Underwriter or an affiliate, as applicable, held any of the Prior Bonds, it would receive a portion of the proceeds from the issuance of the Series 2015 Bonds contemplated herein in connection with the refunding of such Prior Bonds.

CONTINUING DISCLOSURE

TOGA will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series 2015 Bonds. Under the Undertaking, TOGA will agree to send certain information annually and provide notice of certain listed events to the Electronic Municipal Market Access website ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The information to be provided on an annual basis, the listed events that will be noticed on an occurrence basis and a summary of other terms of the Undertaking are set forth below under "THE UNDERTAKING."

In connection with the issuance of the Prior Bonds in 2005, TOGA entered into a continuing disclosure undertaking (the "Prior Undertaking") wherein TOGA covenanted to file certain financial information and the audited financial statements of TOGA and the Signatory Carriers annually and to provide notice of certain material events in a timely manner (the "Prior Undertaking Information") to the nationally recognized municipal securities information repositories then recognized by the Securities and Exchange Commission (the "NRMSIRs"). While the obligation to file the Prior Undertaking Information was changed from filing with the NRMSIRs to filing with EMMA, during the last five years, TOGA did not file the Prior Undertaking Information, including material events relating to rating changes, with EMMA. TOGA has reviewed its existing procedures to ensure that future filings of continuing disclosure information will be in compliance with the Rule, including transmitting such filings to EMMA, and has recently filed with EMMA all of the Prior Undertaking Information that it was required to file with it under the Rule during the last five years.

THE UNDERTAKING

General

The following is a brief summary of certain provisions of the Undertaking and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, the form of which is set forth as APPENDIX G hereto.

Annual Financial Information Disclosure

TOGA covenants to file the Annual Financial Information and the Audited Financial Statements (as described below) with EMMA. The Audited Financial Statements of TOGA and the Annual Financial Information shall be filed by TOGA not later than 180 days after the end of its fiscal year. The Audited Financial Statements of each Signatory Carrier shall be filed by TOGA not later than 180 days after the end of the fiscal year of such Signatory Carrier.

"Annual Financial Information" means the information set forth in the revenues table herein under "TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS — Terminal One Operations," together with evidence that TOGA is in compliance with its Rate Covenant under the Loan Agreement.

"Audited Financial Statements" means the audited financial statements of TOGA and each of the Signatory Carriers (or its parent's audited financial statements if the Signatory Carrier does not prepare separate audited financial statements). TOGA' s audited financial statements shall be prepared in accordance with accounting principles generally accepted in the United States as in effect from time to time. The audited financial statements of each Signatory Carrier shall be prepared in accordance with accounting principles generally accepted in its country of formation as in effect from time to time, or if applicable, International Financial Reporting Standards.

Events Notices

TOGA agrees to send notice to EMMA of the occurrence of the following events, in a timely manner not in excess of ten Business Days after the occurrence of such event:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on credit enhancement that is provided by TOGA in connection with the issuance of the Series 2015 Bonds reflecting financial difficulties and substitution of credit providers, or their failure to perform;

4. unscheduled draws on debt service reserves reflecting financial difficulties;

5. adverse tax opinions or the issuance by the IRS of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series

2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds;

6. modifications to rights of holders of the Series 2015 Bonds, if material;

7. bond calls, if material, and tender offers;

8. defeasances;

9. release, substitution, or sale of property securing repayment of the Series 2015 Bonds, if material;

10. bankruptcy, insolvency, receivership, or similar event of TOGA or any of the Signatory Carriers;

11. consummation of a merger, consolidation, or acquisition involving TOGA or any of the Signatory Carriers, or sale of all or substantially all of the assets of TOGA or any of the Signatory Carriers, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

12. appointment of a successor or additional trustee or the change of name of a trustee, if material; and

13. rating changes.

With respect to event 3, TOGA does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities, unless TOGA applies for or participates in obtaining the enhancement.

Event 4 is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event 4 may not be applicable, since no "debt service reserves" will be established for the Bonds.

Event 5 is relevant only to the extent interest on the Bonds is tax-exempt.

The Undertaking limits the ability of Series 2015 Bondholders to enforce TOGA's obligations thereunder to actions for specific performance. See APPENDIX F.

MISCELLANEOUS

The summaries and descriptions of provisions of the Site Lease, the Loan Agreement, the Note, the Cost Sharing Agreement, the Use Agreements and the Indenture and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Basic Lease, the Site Lease, the Cost Sharing Agreement, the Loan Agreement, the Note, the Use Agreements and the Indenture may be obtained from the Trustee or, during the offering

period, from the Underwriters. Copies of the information referred to in APPENDIX A may be obtained directly from TOGA. Copies of the information referred to in APPENDIX B and under "TOGA, TERMINAL ONE AND THE SIGNATORY CARRIERS – Signatory Carriers" regarding the Signatory Carriers may be obtained directly from the applicable party.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are set forth as such, and not as representations of facts. No representation is made that any of the opinions or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Series 2015 Bonds.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. Information and financial data in this Official Statement and in APPENDICES A and B hereto concerning TOGA or the Signatory Carriers have been prepared by or on behalf of TOGA or the Signatory Carriers, respectively, for inclusion herein. Neither the Issuer nor the Underwriters make any representation or warranty as to the accuracy or completeness of any such information or financial data relating to TOGA or the Signatory Carriers or the Facility contained herein.

The distribution of this Official Statement by the Issuer has been duly authorized by the Issuer.

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APPENDIX A
TOGA FINANCIAL STATEMENTS

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Terminal One Group Association, L.P.

(a limited partnership)

Financial Report
December 31, 2014

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Independent Auditor's Report

To the Partners
Terminal One Group Association, L.P.
Jamaica, New York

Report on the Financial Statements
We have audited the accompanying financial statements of Terminal One Group Association, L.P., which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations and cash flows for the years then ended and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Terminal One Group Association, L.P. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

New York, New York
April 8, 2015

Member of the RSM International network of independent accounting, tax and consulting firms.

Terminal One Group Association, L.P.
(a limited partnership)

Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	**$ 18,471,902**	$ 23,234,882
Property and equipment, net	**54,407,147**	49,614,019
Accounts receivable - other, net of allowance for doubtful accounts of $100,000 in 2014 and 2013	**13,577,072**	12,884,349
Accounts receivable - signatories	**225,067**	-
Other assets	**12,218,997**	21,242,696
Restricted cash - debt service reserve fund	**33,506,918**	33,506,918
Total assets	**$ 132,407,103**	$ 140,482,864
Liabilities and Partners' Capital		
Liabilities		
Accounts payable and accrued liabilities	**$ 14,437,721**	$ 17,068,037
Security deposits	**1,859,288**	1,944,288
Advance rents - signatories	**18,138,595**	27,857,306
Advance rents - contract carriers	**629,191**	94,196
Deferred rent - signatories	**40,689,444**	36,108,268
Deferred rent payable	**14,602,335**	15,079,619
Capital lease obligation	**471,566**	752,187
Debt service reserve fund	**33,506,918**	33,506,918
Total liabilities	**124,335,058**	132,410,819
Partners' Capital		
General partner	**90,620**	90,620
Limited partners, net of demand notes receivable of $990,000	**7,981,425**	7,981,425
Total partners' capital	**8,072,045**	8,072,045
Total liabilities and partners' capital	**$ 132,407,103**	$ 140,482,864

See Notes to Financial Statements.

Terminal One Group Association, L.P.
(a limited partnership)

Statements of Operations
Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Signatory carriers’ revenue, including deferred rent of $(11,728,361) in 2014 and $(11,372,765) in 2013	**$ 13,370,364**	$ 20,483,525
Contract carriers' revenue	**89,432,987**	71,785,679
Concessionaires	**19,570,692**	18,339,056
Other income	**10,666,231**	8,430,629
Interest income	**22,376**	17,354
Total revenues	**133,062,650**	119,056,243
Expenses		
IDA operating lease	**32,665,183**	32,662,108
Port Authority of New York and New Jersey site lease	**4,425,511**	4,425,666
Ramp	**49,088,761**	40,763,571
Utilities	**10,066,846**	8,189,781
Security and police	**5,214,216**	5,883,846
Systems	**4,005,394**	3,402,961
Custodial and waste removal	**4,184,405**	3,971,971
Terminal maintenance	**2,206,582**	2,057,756
Depreciation and amortization	**5,807,509**	4,495,759
Other operating expenses	**14,782,275**	12,566,133
Surety bond expense	**568,316**	568,316
Interest expense	**47,652**	68,375
Total expenses	**133,062,650**	119,056,243
Net income	**$ -**	$ -

See Notes to Financial Statements.

Terminal One Group Association, L.P.
(a limited partnership)

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Net income	**$ -**	$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,807,509**	4,495,759
Deferred rent payable	**(477,284)**	(317,079)
Deferred rent - signatories	**4,581,176**	11,071,228
Provision for doubtful accounts	**-**	(2,060)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable - signatories and other	**(917,789)**	(4,434,700)
Reimbursements from Port Authority - CBIS Project (Note 12)	**9,389,265**	17,737,717
Other assets	**(1,336,193)**	(9,918,328)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(2,630,316)**	(1,288,313)
Advance rents - signatories	**(9,718,711)**	(296,104)
Advance rents - contract carriers	**534,995**	94,196
Net cash provided by operating activities	**5,232,652**	17,142,316
Cash Flows From Investing Activities		
Additions to property and equipment (net of reimbursements of $1,002,033 in 2013)	**(9,630,010)**	(15,041,710)
Security deposits	**(85,000)**	1,289,000
Net cash (used in) investing activity	**(9,715,010)**	(13,752,710)
Cash Flows From Financing Activities		
Repayment of capital lease obligation	**(280,622)**	(259,885)
Net cash (used in) financing activity	**(280,622)**	(259,885)
Net (decrease) increase in cash and cash equivalents	**(4,762,980)**	3,129,721
Cash and Cash Equivalents		
Beginning	**23,234,882**	20,105,161
Ending	**18,471,902**	23,234,882
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 47,652**	$ 68,388
Noncash Transactions		
Accrual of reimbursement for CBIS Project (Note 12)	**$ -**	$ 9,587,203
Reclassification of nonallocable costs for CBIS Project (Note 12)	**$ 970,627**	$ -

See Notes to Financial Statements.

Note 1. Formation of Partnership

Terminal One Group Association, L.P. (TOGA or the Partnership) was organized on March 17, 1994 under the laws of the State of New York to lease, finance, construct, maintain and operate a new passenger terminal facility at John F. Kennedy International Airport (the Project). Pursuant to the partnership agreement, the limited partners, Compagnie Nationale Air France, Japan Airlines International Company, Ltd., Korean Airlines Co., Ltd. and Deutsche Lufthansa Aktiengesellschaft (collectively, the Limited Partners or the Signatory Carriers), each of whom holds a 24.75% partnership interest, were obligated to make initial capital contributions of $247,500 each. The Limited Partners' contributions are evidenced by demand notes receivable, which for financial accounting purposes, are classified as reductions to partners' capital. The general partner of TOGA, Terminal One Management, Inc. (TOMI), holds a 1% partnership interest. TOMI is owned equally by the Limited Partners. The partnership agreement provides that TOGA will continue to exist until December 31, 2032, unless extended by TOMI to a date not later than December 31, 2067.

Net income (loss) is allocated to the partners primarily in proportion to their ownership interest. Additionally, to the extent of distributable cash, as defined, the Partnership may distribute to the partners an amount equal to taxable income during the fiscal year in accordance with the applicable allocation to each partner as described above. TOGA is intended to be a break-even operation over the term of the Facility Use and Lease Agreements (the Agreements) between TOGA and the Signatory Carriers, the primary tenants in the facilities.

Note 2. Significant Accounting Policies

Cash and cash equivalents: The Partnership considers all highly liquid financial instruments with a maturity of three months or less to be cash equivalents. Cash equivalents approximate fair value and are held primarily by one financial institution. The cash balance maintained with this financial institution for the years ended December 31, 2014 and 2013 exceeded Federal Deposit Insurance Corporation (FDIC) limits.

Income taxes: No provision has been made in the accompanying financial statements for any federal, state or city income taxes or benefits since each item of income, gain, loss, deduction or credit is reportable by the partners.

The Partnership makes the determination whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Partnership may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Partnership's tax positions and concluded that the Partnership had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Partnership is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

Note 2. Significant Accounting Policies (Continued)

Signatory and contract carriers' revenues: Revenues from leases are recognized ratably over the noncancelable terms. Revenues earned from contract carriers are based on fixed rates, subject to certain yearly minimum guarantees. Revenues earned from signatory carriers are based upon the terms of the Agreements, whereby the signatories are responsible for all costs to make the Project break even, net of income from other carriers and concessionaires, over the term of such Agreements.

Concessionaires revenues: Revenues earned from concessionaires are based upon percentages of gross receipts, as defined, subject to certain yearly minimum guarantees. The minimum annual guarantees for long-term leases are recognized on the straight-line basis over the term of the related leases. The difference between rental income on the straight-line basis and actual lease payments is deferred and recorded as deferred rent receivable. The excess over the minimum is included directly within concessionaires' revenue. Payments received prior to the time in which revenue is earned is included within advance rents – concessions.

Accounts receivable and allowance for uncollectible accounts: Accounts receivable are signatory, contract carrier and concessionaire obligations due under normal terms according to the respective terminal use and lease agreements. Included within accounts receivable – other on the accompanying balance sheets, the Partnership has an accounts receivable balance of $375,983 due from TOMI representing audit and tax fees and income taxes paid by TOGA on behalf of TOMI. These amounts are not subject to interest and while the amounts are due on demand, the Partnership does not expect to demand payment in the near future.

An allowance for uncollectible accounts is maintained based on the Partnership's estimate of the inability of the contract carriers and concessionaires to make required payments.

Restricted cash: Restricted cash represents the amount of Debt Service Reserve Fund (see Note 3) and any accrued interest of monies held in an Investment Agreement (see Note 4).

Advance rents - signatories: Advance rents - signatories represents advance rents paid by the signatories and an allocated portion of the difference between the rental income required for Signatory Carriers to make the Partnership a break-even operation and the rent currently due pursuant to the terms of the Agreements.

Deferred rents - signatories: Deferred rents - signatories represents the cumulative difference between the rental income required for Signatory Carriers to make the Partnership a break-even operation and the rent currently due pursuant to the terms of the Agreements after allocation to advance rents - signatories.

Deferred rent payable: Rent expense is recognized on the straight-line basis over the term of the Site Lease (see Note 7). The difference between rent expense on the straight-line basis and actual lease payments is recorded as deferred rent payable.

Property and equipment: The construction of the Project, including the building and all related equipment, was financed by the sale of Special Facility Revenue Bonds (see Note 3) at the inception of the Partnership. Since TOGA is operating the terminal through an operating lease, all assets related to the original construction are not included within TOGA's financial statements. Since the completion of the Project's construction, TOGA has made improvements to this facility and as such, these costs are included within Property and Equipment, net within the accompanying financial statements as these represent costs which were funded by TOGA and were not subject to reimbursement by the lessor of the Site Lease (see Note 7) or any other government or affiliated entity.

Note 2. Significant Accounting Policies (Continued)

Property and equipment (continued): Leasehold costs consist of deferred rent expense, net of incidental revenue, accrued prior to the commencement of operations of the Project in May 1998. Leasehold improvements consist of on-premises roadway work and off-premises utilities construction. Furniture and equipment include telephone and security equipment under a capital lease. The leasehold costs and improvements are being amortized on a straight-line basis through the expiration date of the Site Lease, including renewal periods (see Note 7). Furniture and equipment are being depreciated on the straight-line basis over five to seven years.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Conduit bond obligor: The Partnership has evaluated guidance issued by the Financial Accounting Standards Board (the FASB) on the Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities. This guidance extended the reach and clarified the definition of a public entity to certain nonpublic or not-for-profit entities that meet the definition of a public entity under this guidance. The guidance contemplates that these entities should include certain additional financial statement disclosures involving the segment reporting, interim financial reporting or requiring the adoption of certain FASB guidance in accordance with public company practices. Based on its evaluation of the guidance, the Partnership has determined that TOGA does not meet the definition of a public entity under this guidance.

Note 3. The Project

The cost of the acquisition, construction and installation of the Project was financed primarily by the proceeds of the sale by the New York City Industrial Development Agency (the Agency) of its $434,290,000 aggregate principal amount of Special Facility Revenue Bonds, Series 1994 (the 1994 IDA Bonds). In December 2005, the 1994 IDA Bonds were refinanced with $387,740,000 of Special Facility Revenue Bonds, Series 2005 (2005 IDA Bonds) (see Note 5).

Pursuant to an Indenture Agreement (the Indenture) executed upon the sale of the 2005 IDA Bonds, special trust funds and accounts had been established for the Bonds - Project Fund, Bond Fund, Rebate Fund and Debt Service Reserve Fund - which are maintained with Bank of New York (the Trustee).

Project Fund:
The amounts in the Project Fund are subject to security interest, lien and charge in favor of the Trustee for the benefit of the Holders of the Bonds until disbursed as provided in the Indenture. The Trustee shall apply the amounts in the Construction Account to the payment or reimbursement of Project Costs to the extent the same have been paid by or on behalf of TOGA or the Agency.

Bond Fund:
Payments by TOGA under the IDA Lease Agreement (see Note 9) and other amounts to be deposited therein pursuant to the Indenture are deposited into the applicable accounts of the Bond Fund from which the Trustee pays principal and interest due on the 2005 IDA Bonds.

Note 3. The Project (Continued)

Rebate Fund:
Deposits into the Rebate Fund are made as pursuant to the Tax Certificate as to Arbitrage Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (Tax Certificate), dated the date of the original issuance of the 2005 IDA Bonds. Management asserts there is no liability to the Partnership.

Debt Service Reserve Fund:
Certain proceeds from the sale of the 2005 IDA Bonds have been prescribed to the Debt Service Reserve Fund and moneys delivered to the Trustee for purposes of the Debt Service Reserve Fund. Monies held for the credit in the Debt Service Reserve Fund can be withdrawn by the Trustee and deposited to the credit of the applicable accounts in the Bond Fund at the times and in the amounts required to comply with the provisions of the Indenture.

Amounts in the Rebate Fund and the Project Fund may only be invested in qualified investments and amounts in the Bond Fund and the Debt Service Reserve Fund may be invested only in government obligations that are then rated by a rating agency not less than the current rating assigned to the 2005 IDA Bonds. Prior to March 16, 2012, the amounts within the Debt Service Reserve Fund were maintained in an investment in the name of the Trustee. On that date, the Partnership entered into a series of agreements whereby the investment was assigned and transferred to the Partnership. Accordingly, the liability and the corresponding restricted cash have been included within the Partnership's balance sheet. (see Note 4). Any investment is subject to the condition that no portion of the proceeds derived from the sale of the 2005 IDA Bonds shall be used as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code. Such investments shall be made by the Trustee only at the written request of TOGA.

Under the provisions of the Indenture, after payment in full of the 2005 IDA Bonds, and the payment of all fees, charges and expenses of the Agency, Trustee or other agents and registrars involved in the sale of the 2005 IDA Bonds, and all other amounts required under security arrangements, and the payment of any amounts which the Trustee is directed to rebate to the federal government under the Tax Certificate, all amounts remaining in the Rebate Fund, the Project Fund, the Bond Fund, the Lease Payments Fund or the Debt Service Fund shall be paid to TOGA. As a result of the contingencies that preclude TOGA from the receipt of monies within any of the Funds, the assets and liabilities of these funds are not included within the Partnership's balance sheets.

The premises on which the Project is located is subject to a lease between the City of New York, as lessor, and the Port Authority, as lessee. The Project premises, together with all buildings, structures, improvements and fixtures on such premises (collectively, the Site) have been subleased to TOGA pursuant to an Agreement of Lease, dated July 13, 1994, between the Port Authority and TOGA, the Supplemental Agreement, dated November 15, 1996, Second Supplemental Agreement, dated January 1, 1998, and Third Supplemental Agreement, dated December 1, 2005 (collectively, the Site Lease) (see Note 7). TOGA and the Agency entered into a Partnership Sublease Agreement dated as of May 1, 1994 (the Partnership Sublease), pursuant to which TOGA sub-subleased to the Agency (for a nominal amount) a portion of the Site and all structures, buildings, improvements and fixtures made, created or situated thereon and certain of the machinery, equipment and other personal property to be acquired and installed as part of the Project (collectively, Terminal One) (see Note 8). Pursuant to an IDA lease agreement dated as of May 1, 1994 (the IDA Lease) between the Agency and TOGA, the Agency has sub-sub-subleased Terminal One to TOGA (see Note 9).

Note 3. The Project (Continued)

TOGA is unconditionally obligated under the IDA Lease Agreement to make lease rental payments in an amount sufficient to pay the principal of Redemption Price (as defined), if any, and interest on the 2005 IDA Bonds. In addition to such lease rental obligations, TOGA agreed in the IDA Lease Agreement, as a separate, independent and severable covenant, to guarantee the full and prompt payment of the principal and Redemption Price, if any, and interest on the 2005 IDA Bonds whether by acceleration or otherwise. TOGA is also required to maintain a minimum cash balance at year-end equal to 25% of the total annual debt service. At December 31, 2014 and 2013, TOGA's required minimum cash balance was approximately $8,200,000. Payments made by TOGA to the Agency during 2014 and 2013 totaled $32,665,183 and $32,662,108, of which $12,580,183 and $13,627,104 represented interest, respectively.

In accordance with guidance established for Leases of Certain Property Owned by a Governmental Unit or Authority, the Site Lease and IDA Lease are accounted for as operating leases because of special provisions normally present in leases (which are present in the aforementioned leases) involving terminal space and other airport facilities owned by a governmental unit or authority; in this case, the City of New York. Accordingly, the Project cost and 2005 IDA Bond proceeds have not been reflected in the financial statements of TOGA.

TOGA entered into the Agreements with the Signatory Carriers pursuant to which each carrier leases, on a common or preferential use basis, premises in Terminal One, is granted certain rights to use Terminal One, and pays amounts sufficient to pay the total Fixed Costs and total Net Variable Costs, as defined in the Agreements. Additionally, each of the Signatory Carriers pays its pro rata share of TOGA's obligations under the IDA and Site Lease Agreements. The Agreements further provide that in the event one of the Signatory Carriers defaults in the payment of any amounts payable pursuant to its Agreements, such amounts will be borne by all nondefaulting Signatory Carriers based upon their respective pro rata shares, as defined. The sole source of payment of TOGA's obligations under the IDA Lease Agreement is the payment by the Signatory Carriers of certain amounts owed TOGA under the Agreements. Notwithstanding the guarantee of TOGA as previously discussed, the 2005 IDA Bonds are collateralized by a leasehold interest in Terminal One.

Note 4. Investment Agreement

On March 16, 2012, the Partnership was assigned the rights and title of an Investment Agreement previously between the Trustee and the Goldman Sachs Group, L.P. whereby the amounts included within the Debt Service Reserve Fund had been invested as described in Note 3. The balance of the account on the assignment date was $33,506,918. The Partnership cancelled this agreement and concurrently entered into a new investment agreement with Goldman Sachs Group, Inc. (Goldman Sachs) in the same amount whereby Goldman Sachs would pay interest from January 1, 2012 until final maturity (January 1, 2024) at a rate of 8.16% per year. There have been no changes to the terms of the Indenture nor to the use and functionality of the Debt Service Reserve Fund.

The Partnership does not have any rights to transfer these funds from this account to any of TOGA's unrestricted assets and also does not have the right to transfer any of the funds included within this account to any of the other trust accounts described in Note 3. Additionally, the Partnership may not receive the benefits of these funds or any interest accrued until all principal and interest on the 2005 IDA Bonds have been paid by January 1, 2024. As such, the Partnership accounts for the amount included within this Investment Agreement as restricted cash. At December 31, 2014, the balance within this investment was $33,506,918, including any accrued interest.

Note 4. Investment Agreement (Continued)

In order to insure this investment, the Partnership obtained a Surety Bond with a maximum insurance limit of the balance on the date of assignment. The premium on the bond is $6,701,383 which accounts for 20% of the insured limit and is payable in three equal installments from the date of issuance and on each annual anniversary date through March 16, 2014. For the years ended December 31, 2014 and 2013, the Partnership recognized $568,316 in expense, related to this insurance and has a prepaid balance of $5,114,837 and $3,449,358 at December 31, 2014 and 2013, respectively, which is included within other assets on the accompanying balance sheets.

Note 5. Project Financing

The 2005 IDA Bonds consist of $295,200,000 of serial bonds and $92,540,000 of term bonds.

For the years ended December 31, 2014 and 2013, $20,085,000 and $19,035,000 of the serial bonds matured, respectively.

The serial bonds, which are not obligations of TOGA, bear interest at rates varying from 5.00% to 5.50% and mature as follows:

Year Ending December 31,	Principal Amount	Interest Rate
2015	$ 21,185,000	5.50%
2016	22,355,000	5.50%
2017	23,580,000	5.50%
2018	24,880,000	5.50%
2019	26,245,000	5.50%
2020	27,690,000	5.50%
	$ 145,935,000	

The term bonds, which are not obligations of TOGA, bear interest at 5.50% and mature as follows:

Year Ending December 31,	Principal Amount	Interest Rate
2021	$ 29,210,000	5.50%
2022	30,820,000	5.50%
2023	32,510,000	5.50%
	$ 92,540,000	

The sole source for the payment of principal, interest and redemption price, if any, on the 2005 IDA Bonds is the payment by TOGA of lease rentals, revenues and receipts under the IDA Lease Agreement.

Level annual debt service for the 2005 IDA Bonds is approximately $32,700,000 (net of annual projected investment earnings of an estimated $1,700,000 from the invested 2005 IDA Bond proceeds).

Note 5. Project Financing (Continued)

In September 2000, the Signatory Carriers established a reserve fund. The reserve fund represents an amount to be retained by TOGA as agreed to by the Signatory Carriers that would otherwise be payable to the Signatory Carriers or would reduce rent amounts due from the Signatory Carriers. This fund is included within cash and cash equivalents, advance rents - signatories, and deferred rent - signatories on the accompanying balance sheets and is designated for the payment of future capital expenditures, debt service and other cash flow requirements.

Note 6. Line of Credit

In June 2012, the Partnership entered into a line of credit with JP Morgan Chase with a maximum borrowing capacity of $8,000,000. Interest accrues at Prime Rate for draws that are $500,000 and below. Draws above $500,000 accrue interest at LIBOR plus 250 basis points. TOGA did not draw on this facility and the line of credit was left to expire at maturity on June 30, 2104.

Note 7. Site Lease

The Port Authority and TOGA entered into a lease agreement whereby TOGA subleases from the Port Authority the premises on which the Project is located. The Site Lease commenced July 13, 1994 and originally expired on December 31, 2015. The Site Lease includes provisions for two lease extensions. Subject to the renewal of the lease between the Port Authority and the City of New York (the Basic Lease) from December 31, 2015 to an expiration date not earlier than the date that would constitute the 25th anniversary of the Date of Beneficial Occupancy (May 28, 2023), the Port Authority extended the term of the Site Lease to May 27, 2023. TOGA may request that the Site Lease be further extended to May 27, 2028 providing the expiration of the Basic Lease has been extended to May 28, 2028.

Pursuant to the Site Lease, as amended, TOGA is obligated to pay Basic Rent (as defined) of $2,912,498, which is increased annually based upon the greater of (i) ½ of the annual Consumer Price Index, as defined, percentage increase for the latest 12-month period, or (ii) a 4% increase over the rent payable for the preceding period. In addition to Basic Rent, TOGA is required to pay additional rent monthly through November 30, 2015 of $61,792, representing payment of the deferred basic rent and on December 1, 2015, an installment of $3,900,000. Subsequent to December 1, 2015, TOGA is required to pay additional rent monthly through November 30, 2022 of $58,358, representing payment of deferred basic rent in accordance with the Third Supplemental Agreement. If, however, the Site Lease is extended beyond May 28, 2023, the annualized payments will continue monthly through the extension period with the remaining amount payable at the expiration of the extension.

Note 7. Site Lease (Continued)

Future minimum noncancelable lease payments under the Site Lease (including the expected payments of the deferred basic rent through May 27, 2023) are as follows:

Year Ending December 31,	
2015	$ 9,031,000
2016	5,205,000
2017	5,385,000
2018	5,573,000
2019	5,767,000
Thereafter	20,918,000
	$ 51,879,000

In addition to the Basic Rent, TOGA is obligated to pay the Port Authority a percentage of gross receipts, as defined, and gross rental charges, as defined, during the term of the Site Lease. In 2014 and 2013, TOGA had incurred approximately $5,012,800 and $3,827,400, respectively, in Port Authority fees, of which $872,000 and $1,095,000 is included within accounts payable and accrued liabilities at December 31, 2014 and 2013, respectively.

Note 8. Partnership Sublease Agreement

As discussed in Note 3, TOGA and the Agency entered into a Partnership Sublease dated as of May 1, 1994, pursuant to which TOGA sub-subleased to the Agency, for a nominal amount, a portion of the Site and all buildings, improvements and fixtures made, erected or situated thereon and certain of the machinery, equipment and other personal property to be acquired and installed as part of the Project. The Partnership Sublease commenced upon the date of original issuance of the 1994 IDA Bonds and, unless terminated earlier, shall terminate on the earliest of (i) the expiration or earlier termination of the IDA Lease; (ii) January 1, 2024, the stated maturity of the 2005 IDA Bonds; (iii) the date on which no IDA Bonds are outstanding under the bond indenture, as defined; (iv) the earlier to occur of (a) the termination of the Site Lease prior to its expiration, or (b) the termination of any permitted tenancy of the lessee of the Facility Realty, as defined, after the expiration or termination of the Site Lease; or (v) three days prior to the date on which the Port Authority surrenders possession of John F. Kennedy International Airport to the City of New York following the termination or expiration of their lease and other events, as defined.

Note 9. IDA Lease Agreement

As discussed in Note 3, the Agency has sub-sub-subleased Terminal One to TOGA. The IDA Lease shall terminate at the same time as the Partnership Sublease (see Note 8).

Note 10. Fair Value

The guidance for fair value clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. This standard defines fair value as the price that the Partnership would receive upon selling an investment in an orderly transaction between market participants in the principal or most advantageous market on the measurement date. The standard established a three-level hierarchy based on inputs to fair value measurements. Inputs refer broadly to the assumptions that market participants would use in pricing the investment, including assumptions about risk.

The three levels of the fair value hierarchy under this standard are described below:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value. Investments in this category generally include listed equity and debt securities.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value that is determined through the use of models or other valuation methodologies. Investments in this category generally include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives, and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments in this category generally include equity and debt positions in private companies and certain general and limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, funds of hedge funds, and distressed debt.

The Partnership classifies its cash and cash equivalents as a Level 1 item under this guidance.

Note 11. Property and Equipment

At December 31, 2014 and 2013, property and equipment consists of the following:

	2014	2013
Leasehold costs	$ 11,975,135	$ 11,975,135
Leasehold improvements, including capitalized interest of $416,000	81,162,855	70,912,429
Construction-in-progress	5,805,300	5,455,090
Furniture and equipment	6,098,652	6,098,652
	105,041,942	94,441,306
Less accumulated depreciation and amortization	50,634,795	44,827,287
	$ 54,407,147	$ 49,614,019

Note 12. Other Assets

At December 31, 2014 and 2013, other assets consist of the following:

	2014	2013
Other assets - checked baggage inspection system, net of reimbursement	$ 6,281,683	$ 16,986,485
Prepaid surety bond premium	5,114,837	3,449,358
Prepaid expenses and accrued revenue	822,477	806,853
	$ 12,218,997	$ 21,242,696

In order to conform to applicable aviation regulations, the Transportation Security Administration (TSA) has segregated $40,000,000 for the enhancement of TOGA's Checked Baggage Inspection System (CBIS). Under this program TOGA will be reimbursed for 90% of all allocable costs expended for the construction of the facility and all necessary equipment under this project. The remaining 10% of the costs will be the responsibility of TOGA. The Port Authority will function as a liaison by which it will submit packages for reimbursement received from TOGA to TSA for approval. The TSA will provide funds to the Port Authority in order to reimburse to TOGA. Of the 90% of allocable costs, the TSA will retain 10% of the reimbursement requests submitted as retainage until the project's completion and final inspection has occurred.

During 2012, TOGA began construction on the CBIS project and expended $18,431,989. Of this amount, TOGA submitted $16,588,790 for reimbursement pursuant to the program through December 31, 2012. During 2013, TOGA expended an additional $14,355,240 towards the CBIS project and submitted $12,901,716 for reimbursement. From the start of the CBIS project through December 31, 2013, TOGA was reimbursed in aggregate $20,494,084. During 2014, TOGA received $9,389,265 (inclusive of amounts for "bricks and mortar" described below), and thus the cumulative amount reimbursed on this project through December 31, 2014, is $29,883,349.

Note 12. Other Assets (Continued)

During 2013, TOGA reached a verbal agreement with the TSA in which the "bricks and mortar," as defined would be reimbursed according to the same allocation structure as the other costs. Of the $8,263,805 relating to the "bricks and mortar" expended and previously considered as nonallocable costs, $7,437,425 was submitted for reimbursement of which $7,201,306 has been reimbursed during 2014.

In September 2013, the CBIS project was placed into service and all costs relating to the TOGA's 10% share of the project (approximately $4,100,000) have been reclassified to leasehold improvements within property and equipment, net and will be depreciated over the course of the remaining life of the lease.

During 2014, the Port Authority and TOGA reached an informal agreement of the remaining costs to be reimbursed. For this project, $6,281,683 (inclusive of retainage of $3,353,942) is due from the Port Authority at December 31, 2014 and is included within other assets in the table above. Management believes this remaining balance due TOGA under this project is fully collectible. All other costs previously outstanding and aggregating $970,627 are considered to be nonallocable costs and have been reclassified into and included within Property and Equipment on the accompanying balance sheet.

Prior to 2012, TOGA was involved with a program sponsored by the TSA by which TOGA would receive reimbursement of all design and architectural costs relating to the CBIS project. The Port Authority functioned as a liaison by which it submitted packages for reimbursement received from TOGA to TSA for approval. The TSA provided funds to the Port Authority which was used to reimburse TOGA. During 2013 TOGA received $2,192,740, from the Port Authority. At December 31, 2013, the amounts due from the Port Authority were $552,638 in aggregate and had been paid in full during 2014. For this part of the CBIS Project, TOGA received a total reimbursement of $7,192,579 as of December 31, 2014.

Note 13. Future Minimum Rentals

As of December 31, 2014 TOGA had 20 effective Contract Carrier Use and Lease Agreements. Such agreements are for various initial terms expiring at various dates through 2018. Revenue is based on fixed rates for each passenger enplanement, ground handling charges and exclusive use area rent, subject to certain yearly minimum guarantees.

TOGA has also entered into concession agreements with several vendors. Such agreements expire at various dates through 2024. Rental revenue received under the concession agreements are based upon percentages of gross receipts, as defined, subject to certain minimum guarantees. Food and beverage concessions pay 80% of such revenues to TOGA, with the remaining 20% paid to the Port Authority, and retail concessions pay 50% of such revenues to TOGA, with the remaining 50% paid to the Port Authority. During 2014 and 2013, approximately $11,000,000 and $8,200,000, respectively, was earned in excess of minimum guarantees.

Note 13. Future Minimum Rentals (Continued)

In accordance with lease terms, future minimum rental income (exclusive of expense reimbursements) to be received under noncancelable leases from contract carriers and concessionaires, all of which are classified and accounted for as operating income leases at December 31, 2014, are approximately as follows:

Year Ending December 31,	
2015	$ 42,163,000
2016	31,171,000
2017	19,533,000
2018	14,183,000
2019	7,729,000
Thereafter	4,127,000
	$ 118,906,000

In addition to the minimum rents noted above, one of the contract carriers is required to pay rent on minimum usage, as defined in the respective agreement, subject to a contingent rate.

Note 14. Commitments

Leases: TOGA has the following agreements, which have been classified as capital leases:

- Lease of phone equipment from Altura Communications Solutions, LLC which requires fixed monthly payments of $8,912 and expires in September 2016.
- Lease of various computer hardware and software from ARINC which requires fixed monthly payments of $18,444 (not inclusive of recurring support for the software) and expires in April 2016).

The future minimum noncancelable lease payments under the capital leases are as follows as of December 31, 2014:

2015	$ 313,539
2016	187,164
Total future minimum lease payments	500,703
Less amounts representing interest	29,147
Present value of net minimum lease payments	$ 471,556

Letters of credit: At December 31, 2014 and 2013, TOGA had open letters of credit in the amounts of $700,000 and $350,000 in connection with certain capital improvements. The letters of credit expire on June 14, 2015 and November 15, 2015, respectively.

Note 14. Commitments (Continued)

Litigation: The Partnership is a defendant in various insurance-related lawsuits wherein substantial amounts are claimed. In the opinion of the Partnership's legal counsel, these suits are without substantial merit and should not result in judgments that, in the aggregate, would be the responsibility of the insurance companies concerned. Assuming the lawsuits are successful, the Partnership's liability is limited to the insurance deductible under the insurance policies, which would have no material adverse effect on the Partnership's financial statements.

In addition, the Partnership's legal counsel tenders any of these matters to either the vendor responsible or to the Partnership's insurance in the event a vendor would not accept the claim. Vendor contracts with the Partnership include insurance requirements to be carried by vendors to protect the Partnership from any lawsuits.

Note 15. Management Agreement

TOGA has retained the services of an aviation management company to professionally manage the day-to-day operations of the Project. To provide these services, an executive director's office has been created and staffed by the management company. Policy and direction is determined by the general partners of TOGA and is subsequently delegated to the management company for implementation. The term for the professional management services, which provides for automatic annual extensions, is through December 31, 2013. Management fees for 2014 and 2013 were approximately $2,341,000 and $2,064,000, respectively, and are included in other expenses in the accompanying statements of operations.

Note 16. Subsequent Events

The Partnership has evaluated events and transactions through April 8, 2015 the date the financial statements were available to be issued, and determined that there were no events or transactions occurring subsequent to December 31, 2014 that would have a material impact on the Partnership's financial statements.

APPENDIX B
AIR FRANCE FINANCIAL STATEMENTS

Deloitte.

KPMG Audit
Dénomination locale
Tour EQHO
2 Avenue Gambetta
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France

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

Société Air France S.A.

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2014
Société Air France S.A.
45, rue de Paris – 95747 Roissy-Charles de Gaulle

Deloitte.

KPMG Audit
Dénomination locale
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Société Air France S.A.

Registered office: 45, rue de Paris – 95747 Roissy-Charles de Gaulle
Share capital: €126 748 775

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2014

To the Shareholders,

In compliance with the assignment entrusted by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Société Air France S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of assessments

The accounting estimates used in the preparation of the consolidated financial statements were made in a context of an economic downturn raising certain difficulties to apprehend future economic perspectives. These conditions are described in Note 4.2 to the consolidated financial statements. Such is the context in which we made our own assessments that we bring to your attention in accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*):

- The company recognized deferred tax assets based on the future taxable income determined based on medium and long term business plans as described in notes 4.2, 4.22 and 13 to the consolidated financial statements. Our procedures consisted in analyzing the data and assumptions used by Société Air France's management in order to verify the recoverability of these deferred tax assets;

- Notes 4.2, 4.17 and 29.1 to the consolidated financial statements specify the accounting policies for employee benefits. These benefits and obligations were evaluated by external actuaries. Our procedures consisted in examining the data used, assessing the assumptions made and verifying that the information included in note 29.1 to the consolidated financial statements was appropriate;

- Société Air France's management is required to adopt judgment and estimates concerning determination of the provisions for risk and charges which are described in Notes 29.2, 29.3 and 29.4 to the consolidated financial statements. We have examined particularly the estimates and the assumptions used regarding the restructuring provisions and the provisions accounted for the anti-trust litigations to which the Company is exposed. We have also verified that the information as disclosed in the notes to the consolidated financial statements was appropriate;

- Notes 4.2, 4.14 to the consolidated financial statements describe the estimates and assumptions that Société Air France's management was required to make regarding the impairment tests of tangible and intangible assets. We have examined the data and assumptions on which these impairment tests were based as well as the procedures for implementing impairment tests, as described in these notes.

- Société Air France's management is required to make estimates and assumptions relating to the recognition of revenue arising from issued but unused tickets and its Frequent Flyer Program, in accordance with the terms and conditions described in Notes 4.2, 4.6 and 4.7 to the consolidated financial statements. Our procedures consisted in analyzing the data used, assessing the assumptions made and reviewing the calculations performed.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Deloitte.

III. Specific procedures

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, February 19, 2015

The Statutory Auditors

KPMG Audit *Division of KPMG S.A.*		Deloitte et Associés	
Jean-Paul Vellutini *Partner*	Eric Jacquet *Partner*	Pascal Pincemin *Partner*	Guillaume Troussicot *Partner*

This is a free translation into English of the statutory auditors' reports on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking readers.

The statutory auditors' report includes information specifically required by French law in such report, whether modified or not. This information is presented below the audit opinion on consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

AIR FRANCE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED INCOME STATEMENT

In € millions **Period from January 1 to December 31**	***Notes***	**2014**	**2013**
Sales	***6***	**15 582**	**16 128**
Other revenues		17	9
Revenues		**15 599**	**16 137**
External expenses	***7***	(9 756)	(9 934)
Salaries and related costs	***8***	(4 863)	(5 077)
Taxes other than income taxes		(160)	(175)
Amortization, depreciation and provisions	***9***	(1 159)	(1 188)
Other income and expenses	***10***	25	63
Income from current operations		**(314)**	**(174)**
Sales of aircraft equipment	***11***	-	(9)
Other non-current income and expenses	***11***	204	(295)
Income from operating activities		**(110)**	**(478)**
Cost of financial debt		(152)	(195)
Income from cash and cash equivalents		63	67
Net cost of financial debt	***12***	***(89)***	***(128)***
Other financial income and expenses	***12***	(206)	42
Income before tax		**(405)**	**(564)**
Income taxes	***13***	17	(925)
Net income of consolidated companies		**(388)**	**(1 489)**
Share of profits (losses) of associates	***21***	4	-
Net income from continuing operations		**(384)**	**(1 489)**
Net income from discontinued operations	***14***	**(4)**	**(122)**
Net income for the period		**(388)**	**(1 611)**
- Equity holders of Air France		**(386)**	**(1 617)**
- Non controlling interests		(2)	6
Earnings per share – Equity holders (in euros)			
- basic and diluted	***16.1***	(3.05)	(12.76)
Net income from continuing operations - Equity holders (in euros)			
- basic and diluted	***16.1***	(3.02)	(11.80)
Net income from discontinued operations - Equity holders (in euros)			
- basic and diluted	***16.1***	(0.03)	(0.96)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	*Notes*	**2014**	**2013**
Net income for the period		**(388)**	**(1 611)**
Fair value adjustment on available-for-sale securities			
Change in fair value recognized directly in other comprehensive income		3	420
Change in fair value transferred to profit or loss		(250)	-
Fair value hedges			
Effective portion of changes in fair value hedge recognized directly in other comprehensive income		27	(102)
Change in fair value transferred to profit or loss		74	-
Cash flow hedges			
Effective portion of changes in fair value hedge recognized directly in other comprehensive income		(738)	144
Change in fair value transferred to profit or loss		28	(105)
Currency translation adjustment		**8**	**(3)**
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	**13.2**	**205**	**4**
Total of other comprehensive income that will be reclassified to profit or loss		**(643)**	**358**
Remeasurements of defined benefit pension plans		**(239)**	**111**
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	**13.2**	**82**	**(38)**
Total of other comprehensive income that will not be reclassified to profit or loss		**(157)**	**73**
Total of other comprehensive income, after tax		**(800)**	**431**
Recognized income and expenses		**(1 188)**	**(1 180)**
- Equity holders of Air France		**(1 187)**	**(1 186)**
- Non-controlling interests		(1)	6

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**December 31, 2014**	**December 31, 2013 Restated (*)**
Goodwill	***17***	243	237
Intangible assets	***18***	388	361
Flight equipment	***19***	5 577	5 955
Other property, plant and equipment	***19***	1 196	1 255
Investments in equity associates	***21***	85	84
Other financial assets	***22***	1 296	1 720
Deferred tax assets	***13.4***	719	361
Other non-current assets	***25***	85	58
Total non-current assets		**9 589**	**10 031**
Assets held for sale	***15***	3	91
Other short-term financial assets	***22***	521	683
Inventories	***23***	345	309
Trade accounts receivables	***24***	1 150	1 238
Other current assets	***25***	810	636
Cash and cash equivalents	***26***	1 174	1 324
Total current assets		**4 003**	**4 281**
Total assets		**13 592**	**14 312**

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 the notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	*Notes*	December 31, 2014	December 31, 2013 Restated (*)
Issued capital	***27.1***	127	127
Additional paid-in capital	***27.2***	30	30
Reserves and retained earnings	***27.3***	(197)	229
Equity attributable to equity holders		**(40)**	**386**
Non-controlling interests		40	43
Total equity		**-**	**429**
Provisions and retirement benefits	***29***	2 560	2 246
Long-term debt	***30***	3 395	3 900
Deferred tax liabilities	***13.4***	19	21
Other non-current liabilities	***31***	287	198
Total non-current liabilities		**6 261**	**6 365**
Liabilities relating to assets held for sale	***15***	-	58
Provisions	***29***	553	644
Current portion of long-term debt	***30***	571	1 445
Trade accounts payables		1 502	1 457
Deferred revenue on ticket sales		1 632	1 604
Frequent flyer programs		516	510
Other current liabilities	***31***	2 308	1 634
Bank overdrafts	***26***	249	166
Total current liabilities		**7 331**	**7 518**
Total liabilities		**13 592**	**13 883**
Total liabilities and equity		**13 592**	**14 312**

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 of notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions	**Number of shares**	**Issued capital**	**Additional paid-in capital**	**Reserves and retained earnings**	**Equity attributable to holders of Air France**	**Non controlling interests**	**Total equity**
January 1, 2013	**126 748 775**	**127**	**30**	**1 406**	**1 563**	**44**	**1 607**
First application of IFRIC 21 Levies *	-	-	-	3	3	-	3
January 1st, 2013 Restated (*)	**126 748 775**	**127**	**30**	**1 409**	**1 566**	**44**	**1 610**
Fair value adjustment on available for sale securities	-	-	-	403	**403**	-	**403**
Gain / (loss) on cash flow hedges	-	-	-	25	**25**	-	**25**
Gain / (loss) on fair value hedges	-	-	-	(67)	**(67)**	-	**(67)**
Remeasurements of defined benefit pension plans	-	-	-	73	**73**	-	**73**
Currency translation adjustment		-	-	(3)	**(3)**	-	**(3)**
Other comprehensive income	**-**	**-**	**-**	**431**	**431**	**-**	**431**
Net income for the year	-	-	-	(1 617)	**(1 617)**	**6**	**(1 611)**
Total of income and expenses recognized	**-**	**-**	**-**	**(1 186)**	**(1 186)**	**6**	**(1 180)**
Stock based compensation (ESA)	-	-	-	3	**3**	-	**3**
Dividends paid	-	-	-	-	**-**	**(3)**	**(3)**
Change in the consolidation scope	-	-	-	2	**2**	**(4)**	**(2)**
Other changes	-	-	-	1	**1**	-	**1**
December 31, 2013 Restated (*)	**126 748 775**	**127**	**30**	**229**	**386**	**43**	**429**
Fair value adjustment on available for sale securities	-	-	-	(230)	**(230)**	-	**(230)**
Gain/(loss) on cash flow hedge	-	-	-	(487)	**(487)**	-	**(487)**
Gain/(loss) on fair value hedge	-	-	-	66	**66**	-	**66**
Remeasurements of defined benefit pension plans	-	-	-	(157)	**(157)**	-	**(157)**
Currency translation adjustment	-	-	-	7	**7**	**1**	**8**
Other comprehensive income	**-**	**-**	**-**	**(801)**	**(801)**	**1**	**(800)**
Net income for the period	-	-	-	(386)	**(386)**	**(2)**	**(388)**
Total of income and expenses recognized	**-**	**-**	**-**	**(1 187)**	**(1 187)**	**(1)**	**(1 188)**
Dividends paid	-	-	-	-	**-**	**(2)**	**(2)**
Capital increase	-	761	-	-	**761**	-	**761**
Capital decrease	-	(761)	**-**	761	**-**	-	**-**
December 31, 2014	**126 748 775**	**127**	**30**	**(197)**	**(40)**	**40**	**-**

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 of notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € millions **Period from January 1 to December 31**	***Notes***	**2014**	**2013**
Net income from continuing operations		(382)	(1 495)
Net income from discontinued operations	**14**	(4)	(122)
Non-controlling interests		(2)	6
Amortization, depreciation and operating provisions	***9***	1 165	1 198
Financial provisions	***12***	31	17
Gain on disposals of tangible and intangible assets		(20)	5
Loss / (gain) on disposals of subsidiaries and associates		(184)	(9)
Derivatives – non monetary result		50	(27)
Unrealized foreign exchange gains and losses, net		75	(60)
Share of (profits) losses of associates	***21***	(4)	-
Deferred taxes	***13***	(65)	880
Impairment	***37.1***	7	75
Other non-monetary items	***37.1***	(151)	161
Subtotal		**516**	**629**
Of which discontinued operations		***(6)***	***(19)***
(Increase) / decrease in inventories		(27)	5
(Increase) / decrease in trade receivables		122	39
Increase / (decrease) in trade payables		37	(78)
Change in other receivables and payables		(58)	333
Change in working capital from discontinued operations		20	27
Net cash flow from operating activities		**610**	**955**
Acquisition of subsidiaries, of shares in non-controlled entities	***37.2***	(26)	(23)
Purchase of property, plants, equipments and intangible assets	***20***	(866)	(645)
Loss of subsidiaries, of disposal of shares in non-controlled entities	***37.3***	354	28
Proceeds on disposal of property, plants, equipments and intangible assets		204	73
Dividends received		20	16
Decrease (increase) in investments, net between 3 months and 1 year		146	154
Net cash flow used in investing activities of discontinued operations		(20)	(5)
Net cash flow used in investing activities		**(188)**	**(402)**
Increase in capital		-	6
Issuance of debt		1 328	1 282
Repayment on debt		(1 611)	(1 327)
Payment of debt resulting from finance lease liabilities		(301)	(256)
New loans		(5)	(17)
Repayment on loans		15	59
Dividends paid		(2)	(3)
Net cash flow from financing activities		**(576)**	**(256)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		(85)	(21)
Effect of exchange rate on cash and cash equivalents and bank overdrafts from discontinued operations		-	1
Change in cash and cash equivalents and bank overdrafts		**(239)**	**277**
Cash and cash equivalents and bank overdrafts at beginning of period	***26***	1 158	885
Cash and cash equivalents and bank overdrafts at end of period	***26***	925	1 158
Change in cash from discontinued operations		(6)	4
Income tax (paid) / reimbursed (flow included in operating activities)		(51)	(31)
Interest paid (flow included in operating activities)		(170)	(165)
Interest received (flow included in operating activities)		35	37

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

As used herein, the term "Air France" refers to Air France S.A., a limited liability company organized under French law.
The term “Group” is represented by the economic definition of Air France and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group’s core business is passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport-related activities, including principally catering and low cost services.
The limited company Air France SA, domiciled at 45 rue de Paris 95747 Roissy Charles de Gaulle, is the parent company of the Air France Group.
The reporting currency used in the Group’s financial statements is the euro, which is also the Air France’s functional currency.

2. RESTATEMENTS OF THE 2013 FINANCIAL STATEMENTS

Early application of IFRIC 21 “Levies”

On May 20, 2013 the IASB published a new interpretation on the treatment of collected taxes by a public authority, effective in the European Union as per fiscal year 2015.
The Group opted for the early application of this interpretation as from January 1, 2014. The impact is essentially a different allocation of the costs during the interim period (March 31, June 30 and September 30). The consolidated financial statements as of December 31, 2014 are consequently not significantly affected by the application of this interpretation. As with any new text, the application was made retrospectively. In the consolidated balance sheet as of December 31, 2012, the reserves and retained earnings were consequently restated by €3 million.

3. SIGNIFICANT EVENTS

3.1. Events that occurred in the financial year

Capital increase

On July 24, 2014, society Air France’s Extraordinary General Meeting decided to implement a capital increase of €761 million and to reduce the capital of the same amount by imputing losses to the society.

Shares in Amadeus

On September 9, 2014, the Group sold 14,821,019 shares in the Spanish Amadeus IT Holding S.A. company (“Amadeus”). On November 25, 2014 the Group purchased a collar to cover the value of 9.9 million shares hold. These operations are described in notes 11, 22 and 32.

Strike by Air France pilots

Between September 15 and September 29, 2014, a strike by Air France pilots strongly disrupted the Group's operations.
Over the period of the strike, the Group furthermore noted a delay in fourth quarter booking trends, without being able precisely to apportion responsibility for this delay between the strike and the unfavorable demand trend seen since the early summer and subsequently confirmed. The Group estimates that part of this delay was progressively reduced over the course of the fourth quarter 2014, without being able to quantify this adjustment exactly given the

exceptional nature of the event. The total impact on income from current operations of the decrease in revenues due to passengers not transported and the additional related costs, net of the savings on direct costs, is estimated at €437 million as of December 31, 2014.

Disposal of CityJet Group

On April 30, 2014, the Group sold to Intro Aviation GmbH its subsidiaries CityJet and VLM, Irish and Belgium regional airlines that had been previously 100% owned. The result of their disposal has nevertheless no significant impact on the Group's financial statements as of December 31, 2014, as described in the notes 5 and 14.

3.2. Subsequent events

Shares in Amadeus

On January 15, 2015 the Group sold a block of 9,857,202 shares in the Spanish Amadeus IT Holding SA company ("Amadeus"), representing approximately 2.2 per cent of the capital of the company. The net proceeds from the sale amounted to €327 million.
After this operation, the Group continues to hold 9.9 million of Amadeus shares in the framework of the hedging transaction mentioned in note 3.1.

Voluntary departure plans

During the meeting of the Corporate Works Council of January 22, 2015, the management of Air France gave an update on the position of the company, its competitive environment in 2015 and the schedule of work related to the new Perform 2020 strategic plan. Within this framework, the Air France management raised the need to implement some additional cost saving measures. Subsequently, during a meeting of the Corporate Works Council which took place during the first fortnight in February 2015, the management presented the proposed voluntary departure plans for ground staff and cabin crew, aimed at the departure of approximately 800 full time equivalents.

4. RULES AND ACCOUNTING PRINCIPLES

4.1. Accounting principles

4.1.1 Accounting principles used for consolidated financial statements

Pursuant to the European Regulation 1606/2002, July 19, 2002, the consolidated financial statements as of December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable on the date these consolidated financial statements were established.

IFRS as adopted by the EU differ in certain respects from IFRS as published by the International Accounting Standards Board ("IASB"). The Group has, however, determined that the financial information for the periods presented would not differ substantially if the Group had applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on February 18, 2015.

4.1.2 Change in accounting principles

- IFRS standards, amendments to IFRS standards and IFRIC interpretations (IFRS Interpretation Committee) applicable on a mandatory basis to the 2014 financial statements

The texts whose the application became mandatory during the accounting period ended December 31, 2014 are the following:

- Standards IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” have been applied by the Group as from January 1, 2014. The consequences of this application, as described in note 5, do not have a significant impact on the Group’s 2014 consolidated financial statements.
- Amendments to IAS 32 “Financial Instruments: Presentation – Compensation of financial instruments assets and liabilities” -, IAS 36 “Information on the impairment of non-financial assets” and IAS 39 “Financial Instruments: Recognition and Measurement” do not have a significant impact on the Group’s 2014 consolidated financial statements.

The other texts whose the application became mandatory in 2014 had no impact on the Group’s 2014 consolidated financial statements.

- IFRS standards and IFRIC interpretations which are not applicable on a mandatory basis to the 2014 financial statements

  The Group opted for the early adoption of IFRIC 21 “Levies” which was applied for the first time to the 2014 financial statements. The impact of the application of this interpretation is described in note 2.

- IFRS standards and IFRIC interpretations which are applicable on a mandatory basis to the 2015 financial statements

  The amendment to the standard IAS 19 “Employee Benefits” relating to employees’ contributions will be effective as from February 1, 2015. The Group does not expect this amendment to have a significant impact.

- Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union, are described below

  - the amendment to IFRS 11 “Joint Arrangements”, effective for the period started January 1, 2016,
  - the amendment to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”, effective for the period beginning January 1, 2016,
  - the amendment to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”, effective for the period beginning January 1, 2016,
  - the standard IFRS 15 “Revenue Recognition from Contracts with Customers”, effective for the period beginning January 1, 2017 and replacing the standards IAS 18 “Revenues”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”,
  - the standard IFRS 9 “Financial Instruments”, effective for the period beginning January 1, 2018.

  The Group does not expect the application of the amendments mentioned above to have a significant impact. The application of the standards IFRS 15 and IFRS 9 is under review.

4.2. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. The main estimates are described in the following notes:

- note 4.6 – Revenue recognition related to deferred revenue on ticket sales,
- notes 4.13 et 4.12 – Tangible and intangible assets,
- note 4.10 – Financial instruments,
- note 4.22 – Deferred taxes,
- note 4.7 – Flying Blue frequent flyer program,
- notes 4.17, 4.18 and 4.19 – Provisions (including employee benefits).

The Group’s management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established taking into account the economic and financial crisis unfolding since 2008 and on the basis of financial parameters available at the closing date. The immediate effects of the crisis have been taken into account, in particular the valuation of current assets and liabilities. Concerning the longer-term assets, i.e. the non-current assets, the assumption are based on limited growth.

The future results could differ from these estimates depending on changes in the assumptions used or different conditions.

4.3. Consolidation principles

4.3.1. Subsidiaries

In conformity with IFRS 10 “Consolidated Financial Statements”, the Group’s consolidated financial statements comprise the financial figures of all entities that are controlled directly or indirectly by the Group, irrespective of its level of participation in the equity of these entities. The companies over which the Group exercises control are fully consolidated. An entity is controlled when the Group has power on it, is exposed or has rights to variable returns from its involvement in this entity, and has the ability to use its power to influence the amounts of these returns. The determination of control takes into account the existence of potential voting rights if they are substantive, meaning they can be exercised in time when decisions about the relevant activities of the entity need to be taken.
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date this control ceases.

Non-controlling interests are presented within equity and on the income statement separately from Group stockholders’ equity and the Group’s net income, under the line “non-controlling interests”.

The effects of a buyout of non-controlling interests in a subsidiary already controlled by the Group and divestment of a percentage interest without loss of control are recognized in equity. In a partial disposal resulting in loss of control, the retained equity interest is remeasured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this remeasurement and the gain or loss on the sale of the equity interest, including all the items initially recognized in equity and reclassified to profit and loss.

4.3.2. Interest in associates and joint ventures

In accordance with IFRS 11 “Joint Arrangements”, the Group applies the equity method to partnership over which it exercises controls jointly with one or more partners (joint venture). Control is considered to be joined when decisions about the relevant activities of the partnership require the unanimous consent of the Group and the other parties sharing the control. In cases of a joint activity (joint operation), the Group recognizes assets and liabilities in proportion to its rights and obligations regarding the entity.

In accordance with IAS 28 “Investments in Associates and Joint Ventures”, companies in which the Group has the ability to exercise significant influence on financial and operating policy decisions are also accounted for using the equity method. The ability to exercise significant influence is presumed to exist when the Group holds more than 20% of the voting rights.

The consolidated financial statements include the Group’s share of the total recognized global result of associates and joint ventures from the date the ability to exercise significant influence begins to the date it ceases, adjusted for any impairment loss.

The Group’s share of losses of an associate that exceed the value of the Group's interest and net investment (long - term receivables for which no reimbursement is scheduled or likely) in this entity are not accounted for, unless:
- the Group has incurred contractual obligations; or
- the Group has made payments on behalf of the associate.

Any surplus of the investment cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the book value of the investment accounted for using the equity method.

The investments in which the Group has ceased to exercise significant influence or joint control are no longer accounted for by the equity method and are valued at their fair value on the date of loss of significant influence or joint control.

4.3.3 Intra-group operations

All intra-group balances and transactions, including income, expenses and dividends are fully eliminated. Profits and losses resulting from intra-group transactions are also eliminated.
Gains and losses realized on internal sales with associates and jointly-controlled entities are eliminated, to the extent of the Group's interest in the entity, providing there is no impairment.

4.4. Translation of foreign companies' financial statements and transactions in foreign currencies

4.4.1. Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated into euros on the following basis:

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency exchange rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting foreign currency exchange adjustment is recorded in the "Translation adjustments" item included within equity.

Goodwill is expressed in the functional currency of the entity acquired and is converted into euros using the foreign exchange rate in effect at the closing date.

4.4.2. Translation of foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the closing date or at the rate of the related hedge, if any.

Non-monetary assets and liabilities denominated in foreign currencies assessed on an historical cost basis are translated using the rate in effect at the transaction date or using the hedged rate where necessary (see note 4.13.2).

The corresponding exchange rate differences are recorded in the Group's consolidated income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in note 4.10. "Financial instruments, valuation of financial assets and liabilities".

4.5. Business combinations

4.5.1. Business combinations completed on or after April 1, 2010

Business combinations completed on or after April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 (2008) "Business Combinations". In accordance with this standard, all assets and liabilities assumed are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition, except for non-current assets classified as assets held for sale which are measured at fair value less costs to sell.

Goodwill corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.
For each acquisition, the Group has the option of using the “full” goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

Should the fair value of identifiable assets acquired and liabilities assumed exceed the consideration transferred, the resulting negative goodwill is recognized immediately in the income statement.

Contingent considerations or earn-outs are recorded in equity if contingent payment is settled by delivery of a fixed number of the acquirer’s equity instruments (according to IAS 32). In all other cases, they are recognized in liabilities related to business combinations. Contingent payments or earn-outs are measured at fair value at the acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances that existed at that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date and insofar as the initial measurement had still been presented as provisional. Any other subsequent adjustments which do not meet these criteria are recorded as receivables or payables through the income statement.

In a step acquisition, the previously-held equity interest in the acquiree is remeasured at its acquisition-date fair value. The difference between the fair value and the net book value must be accounted in profit or loss as well as elements previously recognized in other comprehensive income.

4.5.2. Business combination carried out before April 1, 2010

Business combinations carried out before April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 (2004) “Business combinations”. In accordance with this standard, all assets, liabilities assumed and contingent liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition.

Goodwill arising from the difference between the acquisition cost (which includes the potential equity instruments issued by the Group to gain control on the acquired entity and other costs potentially dedicated to the business combination) and the Group’s interest in the fair value of the identifiable assets and liabilities acquired, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Should the fair value of identifiable assets acquired and liabilities assumed exceed the cost of acquisition, the resulting negative goodwill is recognized immediately in the income statement.

4.6. Sales

Sales related to air transportation operations are recognized when the transportation service is provided, net of any discounts granted. Transportation service is also the trigger for the recognition of external expenses, such as the commissions paid to agents.

Both passenger and cargo tickets are consequently recorded as “Deferred revenue upon ticket issuance date”.

Nevertheless, sales relating to the value of tickets that have been issued, but never been used, are recognized as revenues at issuance. The amounts recognized are based on a statistical analysis, which is regularly updated.

Sales on third-party maintenance contracts are recorded on the basis of completion method.

4.7. Loyalty programs

The two sub-groups Air France and KLM have a common frequent flyer program "Flying Blue". This program enables members to acquire "miles" as they fly with airline partners or from transactions with non-airline partners

(credit card companies, hotels, car rental agencies). These miles entitle members to a variety of benefits such as free flights with the two companies or other free services with non-airline partners.

In accordance with IFRIC 13 “Loyalty programs”, these “miles” are considered as distinct elements from a sale with multiple elements and one part of the price of the initial sale of the airfare is allocated to these “miles” and deferred until the Group’s commitments relating to these “miles” have been met.

The deferred amount due in relation to the acquisition of miles by members is estimated:

- according to the fair value of the “miles”, defined as the amount at which the benefits can be sold separately,

- after taking into account the redemption rate, corresponding to the probability that the miles will be used by members, using a statistical method.

With regards to the invoicing of other partners in the program, the margins realized on sales of “miles” by the sub-groups Air France and KLM to other partners are recorded immediately in the income statement.

4.8. Distinction between income from current operations and income from operating activities

The Group considers it is relevant to the understanding of its financial performance to present in the income statement a subtotal within the income from operating activities. This subtotal, entitled “Income from current operations”, excludes unusual elements that do not have predictive value due to their nature, frequency and/or materiality, as defined in the recommendation n°2009-R.03 from the French National Accounting Council.

Such elements are as follows :

- sales of aircraft equipment and disposals of other assets,
- income from the disposal of subsidiaries and affiliates,
- restructuring costs when they are significant,
- significant and infrequent elements such as the recognition of badwill in the income statement, the recording of an impairment loss on goodwill and significant provisions for litigation.

4.9. Earnings per share

Earnings per share are calculated by dividing net income attributable to the equity holders of Air France by the average number of shares outstanding during the period. The average number of shares outstanding does not include treasury shares.

Diluted earnings per share are calculated by dividing the net income attributable to the equity holders of Air France adjusted for the effects of dilutive instrument exercise, by the average number of shares outstanding during the period, adjusted for the effect of all potentially-dilutive ordinary shares.

4.10. Financial instruments, valuation of financial assets and liabilities

4.10.1 Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are recorded at fair value then, subsequently, using the amortized cost method less impairment losses, if any. Purchases and sales of financial assets are accounted for as of the transaction date.

4.10.2 Investments in equity securities

Investments in equity securities qualifying as assets available for sale are stated at fair value in the Group's balance sheet. For publicly-traded securities, the fair value is considered to be the market price at the closing date. For the non-quoted securities, the valuation is made on the basis of the financial statements of the entity. For other securities, if the fair value cannot be reliably estimated, the Group uses the exception of accounting at costs (i.e. acquisition cost less impairment, if any).

Potential gains and losses, except for impairment charges, are recorded in a specific component of other comprehensive income entitled "Derivatives and available for sale securities reserves".

If there is an indication of impairment of the financial asset, the amount of the loss resulting from the impairment test is recorded in the income statement for the period. For securities quoted on an active market, a prolonged or significant decrease of the fair value below its acquisition cost is objective evidence of impairment.

Factors deemed by the Group to evaluate the prolonged or significant nature of a decrease in fair value are generally the following:

- the decrease in value is prolonged when the share price at the market close has been lower than the cost price of the share for more than 18 months,

- the decrease in value is significant when there is a decrease of more than 30% compared to the cost price, at closing date.

4.10.3 Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes in interest rates or fuel prices.

Forward currency contracts and options are used to cover exposure to exchange rates. For firm commitments, the unrealized gains and losses on these financial instruments are included in the carrying value of the hedged asset or liability.

The Group also uses rate swaps to manage its exposure to interest rate risk. Most of the swaps traded convert floating-rate debt to fixed-rate debt.

Finally, exposure to fuel risk is hedged by swaps or options on jet fuel, diesel or brent.

Most of these derivatives are classified as hedging instruments if the derivative is eligible as a hedging instrument and if the hedging contracts are documented as required by IAS 39 "Financial instruments: recognition and measurement".

These derivative instruments are recorded on the Group's consolidated balance sheet at their fair value taken into account the market value of the credit risk of the Group (DVA) and the credit risk of the counterpart (CVA). The calculation of credit risk follows a common model based on default probabilities from CDS counterparts. The method of accounting for changes in fair value depends on the classification of the derivative instruments. There are three classifications:

- *derivatives classified as fair value hedge*: changes in the derivative fair value are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (assets, liability or firm commitment), which are also recognized as earnings,
- *derivatives classified as cash flow hedge*: the changes in fair value are recorded in other comprehensive income for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or losses,
- *derivatives classified as trading*: changes in the derivative fair value are recorded as financial income or losses.

4.10.4 Convertible bonds

Convertible bonds are deemed to be financial instruments comprising two components: a bond component recorded as debt and a stock component recorded in equity. The bond component is equal to the discounted value of all coupons due for the bond at the rate of a simple bond that would have been issued at the same time as the convertible bond. The value of the stock component recorded in the Group's equity is calculated by difference between this value and the bond's nominal value at issuance. The difference between the financial expense recorded and the amounts effectively paid out is added, at each closing date, to the amount of the debt component so that, at maturity, the amount to be repaid if there is no conversion equals the redemption price.

4.10.5 Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss
Financial assets include financial assets at fair value through profit and loss (French mutual funds such as SICAVs and FCPs, certificates, etc.) that the Group intends to sell in the near term to realize a capital gain, or that are part of a portfolio of identified financial instruments managed collectively and for which there is evidence of a practice of short-term profit taking. They are classified in the balance sheet as current financial assets. Furthermore, the Group opted not to designate any asset at fair value through the income statement.

Cash and cash equivalents
Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.10.6 Long-term debt

Long-term debt is recognized initially at fair value. Subsequent to the initial measurement, long-term debt is recorded:

- at their net book value for bonds,
- based on amortized cost calculated using the effective interest rate for the other long-term debts. Under this principle, any redemption and issue premiums are recorded as debt in the balance sheet and amortized as financial income or expense over the life of the loans.

In addition, long-term debt documented in the context of fair value hedging relationships is revalued at the fair value for the risk hedged, i.e. the risk related to the fluctuation in interest rates. Changes in fair value of the hedged debt are recorded symmetrically in the income statement for the period with the change in fair value of the hedging swaps.

4.10.7 Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value (see note 32.4) meets the amended requirements of IFRS 7 "Financial instruments: Disclosures". The fair values are classified using a scale which reflects the nature of the market data used to make the valuations.

This scale has three levels of fair value:

Level 1: Fair value calculated from the exchange rate/price quoted on the active market for identical instruments;

Level 2: Fair value calculated from valuation methods based on observable data such as the prices of similar assets and liabilities or scopes quoted on the active market;

Level 3: Fair value calculated from valuation methods which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

4.11. Goodwill

Goodwill corresponds, at the acquisition date, to the aggregation of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable amounts acquired and the liabilities assumed at the acquisition date.

For acquisitions prior to April 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under French GAAP. The classification and accounting treatment of business combinations taking place prior to April 1, 2004 were not modified at the time international standards were adopted, on April 1, 2004, in accordance with IFRS 1 “First-time adoption of international financial reporting standards”.

Goodwill is valued in the functional currency of the entity acquired. It is recorded as an asset in the balance sheet.

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. As discussed in note 4.14, once recorded the impairment may not subsequently be reversed.

When the acquirer’s interest in the net fair value of the identifiable assets and liabilities acquired exceeds the consideration transferred, there is negative goodwill which is recognized and immediately reversed in the Group’s income statement.

At the time of the sale of a subsidiary or an equity affiliate, the amount of the goodwill attributable to the entity sold is included in the calculation of the income from the sale.

4.12. Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.
Software development costs are capitalized and amortized over their useful lives. The Group has the tools required to enable the tracking by project of all the stages of development, and particularly the internal and external costs directly related to each project during its development phase.
Identifiable intangible assets acquired with a finite useful life are amortized over their useful lives from the date they are available for use.
Identifiable intangible assets acquired with an indefinite useful life are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, an impairment as described in note 4.14 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in note 4.20 and the “Risks on carbon credit” paragraph in note 32.1. As such, the Group is required to purchase CO2 quotas to offset its emissions. The Group records the CO2 quotas as intangible assets. These assets are not depreciable.

Intangible assets with a definite useful life are amortized on a straight line basis over the following periods:

Software	1 to 5 years

4.13. Property, plant and equipment

4.13.1 Principles applicable

Property, plant and equipment are recorded at the acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses.

The financial interest attributed to advance payments made on account of investments in aircraft and other significant assets under construction is capitalized and added to the cost of the asset concerned. As prepayments on investments are not financed by specific loans, the Group uses the average interest rate on the current unallocated loans of the period.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized (e.g. maintenance on airframes and engines, excluding parts with limited useful lives).

4.13.2 Flight equipment

The purchase price of aircraft equipment is denominated in foreign currencies. It is translated at the exchange rate at the date of the transaction or, if applicable, at the hedging price assigned to it. Manufacturers' discounts, if any, are deducted from the value of the related asset.

Aircraft are depreciated using the straight-line method over their average estimated useful life of 20 years, assuming no residual value for most of the aircraft in the fleet. This useful life can, however, be extended to 25 years for some aircraft.

During the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized.

Any major airframe and engine overhaul (excluding parts with limited useful lives) are treated as a separate asset component with the cost capitalized and depreciated over the period between the date of acquisition and the next major overhaul.

Aircraft components which enable the use of the fleet are recorded as fixed assets and are amortized on a straight-line basis over the estimated residual lifetime of the aircraft/engine type on the world market. The useful life is limited to a maximum of 30 years.

4.13.3 Other property, plant and equipment

Other property, plant and equipment are depreciated using the straight-line method over their useful lives as follows:

Buildings	20 to 50 years
Fixtures and fittings	8 to 15 years
Flight simulators	10 to 20 years
Equipment and tooling	5 to 15 years

4.13.4. Leases

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The assets held under a finance lease are recognized as assets at the lower of the following two values: the present value of the minimum lease payments under the lease arrangement or their fair value determined at inception of the lease. The corresponding obligation to the lessor is accounted for as long-term debt.

These assets are depreciated over the shorter of the useful life of the assets and the lease term when there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

In the context of sale and operating leaseback transactions, the related profits or losses are accounted for as follows:

- they are recognized immediately when it is clear that the transaction has been realized at fair value,
- if the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used,
- if the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

In the context of sale and finance leaseback transactions, the asset remains in the Group's balance sheet with the same net book value. Such transactions are a means whereby the lessor provides finance to the lessee, with the asset as security.

4.14. Impairment test

In accordance with the standard IAS 36 “Impairment of Assets”, tangible fixed assets, intangible assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year on September 30.

For this test, the Group deems the recoverable value of the asset to be the higher of the market value less cost of disposal and its value in use. The latter is determined according to the discounted future cash flow method, estimated based on budgetary assumptions approved by management, using an actuarial rate which corresponds to the weighted average cost of the Group’s capital and a growth rate which reflects the market hypothesis for the appropriate activity.

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGU’s correspond to the Group’s business segments : passenger business, cargo, maintenance, leisure and others.

When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is recognized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

4.15. Inventories

Inventories are measured at the lower of their cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. These costs include the direct and indirect production costs incurred under normal operating conditions.

Inventories are valued on a weighted average basis.

The net realizable value of the inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

4.16. Treasury shares

Air France shares held by the Group are recorded as a deduction from the Group’s consolidated equity at the acquisition cost. Subsequent sales are recorded directly in equity. No gains or losses are recognized in the Group’s income statement.

4.17. Employee benefits

The Group's obligations in respect of defined benefit pension plans, including termination indemnities, are calculated in accordance with IAS 19 Revised “Employee benefits”, using the projected units of credit method based on actuarial assumptions and considering the specific economic conditions in each country concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.
The Group recognizes in Other Comprehensive Income the actuarial gains or losses relating to post-employment plans, the differential between the actual return and the expected return on the pension assets and the impact of any plan curtailment.
The gains or losses relating to termination benefits (mainly jubilees) are booked in the income statement.

The Group books all the costs linked to pensions (defined benefit plans and net periodic pension costs) in the income from current operations (salaries and related costs).

4.18. Provisions for restitution of aircraft under operating leases

For certain operating leases, the Group is contractually committed to restitute aircraft with a defined level of potential.

The Group provides for restitution costs related to aircraft under operating leases.

When the condition of aircraft exceeds the return condition as set per the lease arrangement, the Group capitalizes the related amount in excess under "Flight equipment". Such amounts are subsequently amortized on a straight-line basis over the period during which the potential exceeds the restitution condition. Any remaining capitalized excess potential upon termination of a lease is reimbursable by the lessor.

4.19. Other provisions

The Group recognizes a provision in the balance sheet when the Group has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material. The effect of the time value of money is presented as a component of "Other financial income and expenses".

Restructuring provisions are recognized once the Group has established a detailed and formal restructuring plan which has been announced to the parties concerned.

4.20. Emission Trading Scheme

Since January 1, 2012, European airlines have been included in the scope of companies subject to the Emission Trading Scheme (ETS).
In the absence of an IFRS standard or interpretation regarding ETS accounting, the Group has adopted the accounting treatment known as the "netting approach".

According to this approach, the quotas are recognized as intangible assets:

- free quotas allocated by the State are valued at nil; and
- quotas purchased on the market are accounted at their acquisition cost.

These intangible assets are not amortized.

If the allocated quotas are insufficient to cover the actual emissions then the Group recognizes a provision. This provision is assessed at the acquisition cost for the acquired rights and, for the non-hedged portion, with reference to the market price as of each closing date. At the date of the restitution to the State of the quotas corresponding to actual emissions, the provision is written-off in exchange for the intangible assets returned.

4.21. Equity and debt issuance costs

Debt issuance costs are mainly amortized as financial expenses over the term of the loans using the actuarial method.
Capital increase costs are deducted from paid-in capital.

4.22. Deferred taxes

The Group records deferred taxes using the balance sheet liability method, providing for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for exceptions described in IAS 12 "Income taxes".

The tax rates used are those enacted or substantively enacted at the balance sheet date.

Net deferred tax balances are determined on the basis of each entity's tax position.

Deferred tax assets related to temporary differences and tax losses carried forward are recognized only to the extent it is probable that a future taxable profit will be available against which the asset can be utilized at the tax entity level.

Deferred tax assets corresponding to fiscal losses are recognized as assets given the prospects of recoverability resulting from the budgets and medium term plans prepared by the Group. The assumptions used are the same as those used for the impairment tests on assets (see note 4.14).

A deferred tax liability is also recognized for the undistributed reserves of the equity affiliates.

Taxes payable and/or deferred are recognized in the income statement for the period, unless they are generated by a transaction or event recorded directly in other comprehensive income. In such a case, they are recorded directly in other comprehensive income.

Impact of the Territorial Economic Contribution

The 2010 Finance Law voted on December 30, 2009, removed the business tax liability for French fiscal entities from January 1, 2010 and replaced it with the new TEC (Territorial Economic Contribution/Contribution Economique Territoriale – CET) comprising two contributions: the LDE (land tax of enterprises/Cotisation Foncière des Entreprises - CFE) and the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE). The latter is calculated by the application of a rate to the added value generated by the company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line "tax".

4.23. Non-current assets held for sale and discontinued operations

Assets or groups of assets held for sale meet the criteria of such a classification if their carrying amount is recovered principally through a sale rather than through their continuing use. This condition is considered to be met when the sale is highly probable and the asset (or the group of assets intended for sale) is available for immediate sale in its present condition. Management must be committed to a plan to sell, with the expectation that the sale will be realized within a period of twelve months from the date on which the asset or group of assets were classified as assets held for sale.

The Group determines on each closing date whether any assets or groups of assets meet the above criteria and presents such assets, if any, as "non-current assets held for sale".
Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

Assets and groups of assets held for sale are valued at the lower of their book value or their fair value minus exit costs. As of the date of such a classification, the asset is no longer depreciated.

The results from discontinued operations are presented separately from the results from continuing operations in the income statement.

4.24. Share-based compensation

Stock subscription or purchase option schemes are valued at the fair value on the date the plans are awarded.
The fair value of the stock option schemes is determined using the Black-Scholes model. This model takes into account the features of the plan (exercise price, exercise period) and the market data at the time they are granted (risk-free interest rate, market value of the share, volatility and expected dividends).
This fair value is the fair value of the services rendered by the employees in consideration for the options received. It is recognized over the vesting period as salary cost with a corresponding increase to equity for transactions paid with shares and with a corresponding increase of liabilities for transactions paid in cash. During the vesting period, this salary cost is adjusted, if applicable, to take into account the number of options effectively vested.

5 CHANGE IN THE CONSOLIDATION SCOPE

- **Year ended December 31, 2014**

First application of the standards IFRS 10, IFRS 11, IFRS 12 and IAS 28

The first application of the standards IFRS 10, IFRS 11 and IAS 28 had no impact on the consolidation method previously used.

The information required for the application of IFRS 12 on non-controlling interests and interests in equity affiliates is presented in the notes 21 and 39.

Scope in

On June 30, 2014, Air France Industrie US and Sabena Technics signed an agreement in which the Group's maintenance business acquired 100% of the capital of Barfield, the US specialist in equipment support.
Pursuant to standards IFRS 3 and IFRS 10, Barfield has been accounted for using the acquisition method and fully integrated in the Group's accounts starting from its acquisition date. The acquisition did not generate any goodwill.

Scope out

On April 30, 2014, the Group sold its previously 100% held subsidiaries CityJet and VLM, an Irish and a Belgium regional airline, to Intro Aviation GmbH..
Since these two entities had been valued at their disposal value within the framework of their reclassification under discontinued operations in 2013 (see notes 3 and 14), the result of their disposal has no significant impact on the Group's consolidated financial statements as of December 31, 2014.

- **Year ended December 31, 2013**

Scope in

Within the framework of the establishment of *HOP!,* the Group acquired Airlinair. This operation took place as follows:
- the sale, on February 28, 2013, of the shareholding in Financière LMP (39.86%), the parent company which owned Airlinair (see note 11),
- the acquisition, on February 28, 2013, of 100% of the Airlinair share capital for €17 million. The goodwill relating to this operation amounted to €3 million.

Scope out

On May 15, 2013, the Group sold its Italian subsidiary Servair Airchef, specialized in airline catering.

6 SEGMENT INFORMATION

Business segments

The segment information by activity and geographical area presented below is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

Passenger: Passenger operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code, including flights operated by other airlines under code-sharing agreements. They also include commissions paid by SkyTeam alliance partners, code-sharing revenues, revenues from excess baggage, airport services supplied by the Group to third-party airlines and services linked to IT systems.

Cargo: Cargo operating revenues come from freight transport on flights under the companies' codes, including flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from sales of cargo capacity to third parties.

Maintenance: Maintenance operating revenues are generated through maintenance services provided to other airlines and customers globally.

Other: The revenues of this segment come primarily from the transportation of passengers in low cost segment by Transavia and from the catering activities supplied by the Group (mainly Servair) to third-party airlines.

The results, assets and liabilities allocated to the business segments correspond to those attributable directly and indirectly.
Amounts allocated to business segments mainly correspond, for the income statement, to the income from operating activities and, for the balance sheet, to the goodwill, intangible assets, flight equipment and other tangible assets, the share in equity affiliates, some account receivables, deferred revenue on ticket sales and a portion of provisions and retirement benefits. Other elements of the income statement and balance sheet are presented in the "non-allocated" column.

Inter-segment transactions are evaluated based on normal market conditions.

Geographical segments

- **Activity by origin of sales area**

Following a decision of the Executive Board to reorganize the Group's sales areas, the presentation of the activities by origin of sale has been divided into eight geographical areas since January 1, 2014 (against six areas previously):

- Metropolitan France
- Benelux
- Europe (excluding France and the Benelux) and North Africa
- Africa (except North Africa)
- Middle East, Gulf, India (MEGI)
- Asia-Pacific
- North America
- Caribbean, West Indies, French Guyana, Indian Ocean, South America (CILA)

Only segment revenue is allocated by geographical sales area.
The information as of December 31, 2013 has been restated for the purposes of comparison.

- **Activity by destination**

The Group activities by destination are divided into six geographical areas:

- Metropolitan France
- Europe (excluding France) and North Africa
- Caribbean, West Indies, French Guyana and Indian Ocean
- Africa (except North Africa) and Middle East
- Americas and Polynesia
- Asia and New Caledonia

6.1. Information by business segment

- **Year ended December 31, 2014**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	13 472	1 209	2 345	1 067	-	18 093
Inter-segment sales	(689)	(17)	(1 390)	(415)	-	(2 511)
External sales	**12 783**	**1 192**	**955**	**652**	**-**	**15 582**
Income from current operations	(326)	(114)	123	3	-	(314)
Income from operating activities	(107)	(128)	125	-	-	(110)
Share of profits (losses) of associates	(4)	-	2	6	-	4
Net cost of financial debt and other financial income and expenses	-	-	-	-	(295)	(295)
Income taxes	-	-	-	-	17	17
Net income from continuing operations	**(111)**	**(128)**	**127**	**6**	**(278)**	**(384)**
Depreciation and amortization for the period	(768)	(27)	(223)	(23)	-	(1 041)
Other non monetary items	(429)	(46)	39	(29)	(56)	(521)
Total assets	**6 978**	**461**	**1 973**	**338**	**3 842**	**13 592**
Segment liabilities	4 828	336	809	196	3 208	9 377
Financial debt, bank overdraft and equity	-	-	-	-	4 215	4 215
Total liabilities	**4 828**	**336**	**809**	**196**	**7 423**	**13 592**
Purchase of property, plant and equipment and Intangible assets	**720**	**25**	**105**	**16**	**-**	**866**

The non-allocated assets amounting to €3.8 billion are mainly financial assets held by the Group. They notably comprise cash and cash equivalent of €1.2 billion, financial assets of €1.2 billion, deferred tax of €0.7 billion and derivatives of €0.2 billion.

The non-allocated liabilities amounting to €3.2 billion mainly comprise a portion of provisions and retirement benefits amounting of € 1.7 billion, tax and employee-related liabilities of €0.7 billion, and derivatives of €0.8 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended December 31, 2013 (restated)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	13 998	1 305	2 262	1 059	-	18 624
Inter-segment sales	(699)	(16)	(1 349)	(432)	-	(2 496)
External sales	**13 299**	**1 289**	**913**	**627**	**-**	**16 128**
Income from current operations	(179)	(134)	120	19	-	(174)
Income from operating activities	(372)	(257)	118	33	-	(478)
Share of profits (losses) of associates	(5)	-	2	3	-	-
Net cost of financial debt and other financial income and expenses	-	-	-	-	(86)	(86)
Income taxes	-	-	-	-	(925)	(925)
Net income from continuing operations	**(377)**	**(257)**	**120**	**36**	**(1 011)**	**(1 489)**
Depreciation and amortization for the period	(680)	(42)	(230)	(105)	-	(1 057)
Other non monetary items	3	(62)	(4)	(327)	(840)	(1 230)
Total assets	**7 488**	**467**	**1 842**	**305**	**4 210**	**14 312**
Segment liabilities	4 367	319	707	167	2 811	8 371
Financial debt, bank overdraft and equity	-	-	-	-	5 941	5 941
Total liabilities and equity	**4 367**	**319**	**707**	**167**	**8 752**	**14 312**
Purchase of property, plant and equipment and intangible assets	**481**	**23**	**129**	**12**	**-**	**645**

The non-allocated assets amounting to €4.2 billion are mainly financial assets held by the Group. They notably comprise cash and cash equivalents of €1.3 billion, financial assets of €1.7 billion, deferred tax of €0.4 billion and derivatives of €0.2 billion.

The non-allocated liabilities amounting to €2.8 billion, mainly comprise a portion of provisions and retirement benefits amounting to €1.9 billion, tax and employee-related liabilities of €0.7 billion and derivatives of €0.2 billion.

Financial debts, bank overdrafts and equity are not allocated.

6.2. Information by geographical area

Sales by geographical area

- **Year ended December 31, 2014**

In € millions	Metropolitan France	Benelux	Europe (except France and Benelux), North Africa	Caribbean, West Indies, French Guyana, Indian Ocean and South America (CILA)	Africa (except North Africa)	Middle East, Gulf, India (MEGI)	Asia-Pacific	North America	Total
Scheduled passenger	5 398	243	2 231	849	696	250	1 035	1 443	12 145
Other passenger sales	376	2	79	20	44	4	99	14	638
Total passenger	**5 774**	**245**	**2 310**	**869**	**740**	**254**	**1 134**	**1 457**	**12 783**
Scheduled cargo	334	-	321	25	60	-	198	149	1 087
Other cargo sales	43	-	17	4	7	-	7	27	105
Total cargo	**377**	**-**	**338**	**29**	**67**	**-**	**205**	**176**	**1 192**
Maintenance	890	-	-	-	-	-	-	65	955
Others	545	-	2	34	70	-	1	-	652
Total	**7 586**	**245**	**2 650**	**932**	**877**	**254**	**1 340**	**1 698**	**15 582**

- **Year ended December 31, 2013 (restated)**

In € millions	Metropolitan France	Benelux	Europe (except France and Benelux), North Africa	Caribbean, West Indies, French Guyana, Indian Ocean and South America (CILA)	Africa (except North Africa)	Middle East, Gulf, India (MEGI)	Asia-Pacific	North America	Total
Scheduled passenger	5 596	220	2 270	1 043	701	249	1 055	1 472	12 606
Other passenger sales	418	2	86	17	43	3	88	36	693
Total passenger	**6 014**	**222**	**2 356**	**1 060**	**744**	**252**	**1 143**	**1 508**	**13 299**
Scheduled cargo	357	-	345	24	67	-	206	167	1 166
Other cargo sales	54	-	18	4	6	-	7	34	123
Total cargo	**411**	**-**	**363**	**28**	**73**	**-**	**213**	**201**	**1 289**
Maintenance	878	-	-	-	-	-	-	35	913
Others	473	-	53	33	68	-	-	-	627
Total	**7 776**	**222**	**2 772**	**1 121**	**885**	**252**	**1 356**	**1 744**	**16 128**

Traffic sales by geographical area of destination

- **Year ended December 31, 2014**

In € millions	Metropolitan France	Europe (except France), North Africa	Caribbean, French Guyana, Indian Ocean	Africa, (except North Africa), Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 851	2 367	1 131	1 598	3 394	1 804	12 145
Scheduled cargo	4	30	122	225	405	301	1 087
Total	**1 855**	**2 397**	**1 253**	**1 823**	**3 799**	**2 105**	**13 232**

- **Year ended December 31, 2013**

In € millions	Metropolitan France	Europe (except France), North Africa	Caribbean, French Guyana, Indian Ocean	Africa, (except North Africa), Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 932	2 485	1 143	1 624	3 532	1 890	12 606
Scheduled cargo	5	32	124	233	448	324	1 166
Total	**1 937**	**2 517**	**1 267**	**1 857**	**3 980**	**2 214**	**13 772**

7 EXTERNAL EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Aircraft fuel	3 735	3 957
Chartering costs	372	386
Aircraft operating lease costs	596	619
Landing fees and en route charges	1 060	1 076
Catering	405	409
Handling charges and other operating costs	994	943
Aircraft maintenance costs	914	843
Commercial and distribution costs	573	547
Other external expenses	1 107	1 154
Total	**9 756**	**9 934**
Excluding aircraft fuel	*6 021*	*5 977*

8 SALARIES AND NUMBER OF EMPLOYEES

8.1 Salaries and related costs

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Wages and salaries	3 363	3 492
Costs linked to defined contribution plans	568	581
Net periodic pension costs of defined benefits plans	105	99
Social contributions	937	974
Expenses related to share-based compensation	-	3
Other expenses	(110)	(72)
Total	**4 863**	**5 077**

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated with a French State plan, it is accounted for as a defined contribution plan in "social contributions".

The "other expenses" notably comprise:
- The CICE tax credit amounting to €66 million as of December 31, 2014 against €43 million as of December 31, 2013,
- The capitalization of salary costs on aircraft and engine overhaul.

8.2 Average number of employees on continuing operations

Period from January 1 to December 31	**2014**	**2013**
Flight deck crew	4 720	4 889
Cabin crew	13 720	14 044
Ground staff	45 515	46 847
Total	**63 955**	**65 780**

9 AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Intangible assets	61	55
Flight equipment	804	810
Other property, plant and equipment	176	192
Amortization	**1 041**	**1 057**
Inventories	6	(4)
Trade receivables	4	(5)
Risks and contingencies	108	140
Depreciation and provisions	**118**	**131**
Total	**1 159**	**1 188**

The amortization changes for intangible and tangible assets are presented in notes 18 and 19.
The changes relating to inventories and trade receivables are presented in notes 23, 24 and 25.
The movements in provisions for risks and charges are detailed in note 29.

10 OTHER INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Joint operation of routes	(51)	(45)
Operations-related currency hedges	41	47
Other	35	61
Total	**25**	**63**

11 OTHER NON-CURRENT INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Sales of aircraft equipment	**-**	**(9)**
Restructuring costs	21	(199)
Depreciation of assets available for sale	(11)	(82)
Disposal of shares available for sale	187	-
Disposals of subsidiaries and affiliates	(3)	9
Other	10	(23)
Total	**204**	**(295)**

- **Year ended December 31, 2014**

Restructuring costs

This line mainly includes an aid of €26 million from the European Union concerning the measures proposed by the Air France Group within its voluntary departure plan Transform 2015.

Depreciation of assets held for sale

As part of the review of its fleet plan, the Air France Group has decided to sell a number of aircraft of its French regional fleet. The impact of the revaluation of these non-operated aircraft on their sale value amounts to €7 million (see note 15). The Group also booked an additional impairment loss of €4 million on engines of one of the Boeing B747 classified in assets held for sale.

Disposal of shares available for sale

On September 9, 2014, as part of its active balance sheet management policy, the Group sold 4,475,819 shares in the Spanish company Amadeus IT Holding S.A. (“Amadeus”), by a private placement, representing 1.0 per cent of the company’s share capital.
The Group simultaneously sold in addition 10,345,200 shares, representing 2.31 per cent of the company’s share capital, in the framework of the settlement of the hedging transaction implemented in 2012 and covering 12,000,000 shares in Amadeus.
These transactions generated:

- a positive result on the disposal of the shares amounting to €187 million in the “Other non-current income and expenses” part of the income statement,
- a change of fair value of financial assets and liabilities for €(4) million in the “Other financial income and expenses” part of the income statement,

- cash proceeds of €339 million.

After these transactions, the Group owns circa 4.4 per cent of Amadeus IT Holding S.A.'s share capital.

Gain on disposals of subsidiaries and affiliates

This line includes the proceed on the disposal of shares held by the Servair Group in Newrest (25%)

Other

This line mainly includes the result on the sale of several tangible assets, amounting to €15 million.

- **Year ended December 31, 2013**

Restructuring costs

During the third quarter of 2013, the Group had announced the implementation of additional measures to reduce Air France's salary costs. The overstaffing was estimated at 2 880 employees, including 1 826 ground staff. In this context, a voluntary departure plan was proposed to ground staff and cabin crew, whose application period opened in 2014.
During the financial year, the Group also adjusted the amount of the net provision booked as of December 31, 2012 concerning the initial voluntary departure plan and the resizing of the fleet.
The Group had consequently made its best estimate of the costs incurred by the measures mentioned above and had recorded a restructuring provision for a total amount of €199 million as of December 31, 2013.

Depreciation of assets available for sale

As part of the review of its fleet plan, the Air France Group had decided to sell two Boeing B747s freighters. The impact of the revaluation of these non-operated aircraft on their sale value amounted to €82 million (see note 15).

Disposal of subsidiaries and affiliates

This line included:
- the sale of the shareholding in Financière LMP (39.86%) (see note 5),
- the sale of the shareholding in Servair Airchef (50%) (see note 5).

Other

This line mainly included:
- a provision of €18 million relating to crew disputes,
- an additional provision related to anti-competitive cargo practices amounting to €8 million (see note 29.3).

12 NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Income from marketable securities	12	11
Other financial income	51	56
Financial income	**63**	**67**
Loan interests	(64)	(104)
Lease interests	(51)	(50)
Capitalized interests	6	5
Other financial expenses	(43)	(46)
Gross cost of financial debt	**(152)**	**(195)**
Net cost of financial debt	**(89)**	**(128)**
Foreign exchange gains (losses), net	(106)	34
Change in fair value of financial assets and liabilities	(50)	27
Including fuel derivatives	*(97)*	*56*
Including currency derivatives	*42*	*(30)*
Including interest rates derivatives	*1*	*2*
Including other derivatives	*4*	*(1)*
Net (charge) / release to provisions	(31)	(17)
Other	(19)	(2)
Other financial income and expenses	**(206)**	**42**
Total	**(295)**	**(86)**

The interest rate used in the calculation of capitalized interest is 3.08 per cent for the year ended December 31, 2014 versus 3.68 per cent for the financial year ended December 31, 2013.

Financial income mainly comprises interest income and gains on the sale of financial assets at fair value through profit and loss.

As of December 31, 2014, the foreign exchange result mainly includes an adjustment in the value of the cash blocked in Venezuela to take into account the currency conversion risk.

As of December 31, 2014, the other financial income and expenses includes an amount of €14 million relating to the reversal of discounting on provisions.

13 INCOME TAXES

13.1. Income tax expense

Current income tax expenses and deferred income tax are detailed as follows:

In € millions **Period from January 1 to December 31**	**2014**	**2013**
(Expense) / income for the year	(48)	(45)
Current tax (expense) / income	**(48)**	**(45)**
Change in temporary differences	63	51
CAVE impact	3	3
Tax loss carry-forwards	(1)	(934)
Deferred tax income / (expense) from continuing operations	**65**	**(880)**
Total	**17**	**(925)**

The current tax expense relates to the amounts paid or payable in the short term to the tax authorities in respect of the financial year, in accordance with the regulations prevailing in the different countries and any applicable treaties.

In France, tax losses can be carried forward for an unlimited period. However, the 2011 and 2012 Finance Acts introduced a limitation on the amount of fiscal loss recoverable each year to 50% of the profit for the period beyond the first million euros. The period for recovering these losses against future profits having also been extended within the context of prevailing economic crisis and a highly competitive global market, the Group limits its recoverability horizon relating to the French fiscal group to a period of six year, in consistency with its operating visibility.

The calculation of the recoverability of the deferred tax losses are based on the results in the 3 years target, approved by the management and used for the impairment test of tax asset realized by Air France KLM Group. If the assumptions in the 3 years plan are not met, this could have an impact on the horizon of the recoverability of the deferred tax assets.

13.2. Deferred tax recorded in equity - Group

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Other comprehensive income that will be reclassified to profit or loss	**205**	**4**
Assets available for sale	*17*	*(17)*
Derivatives	*188*	*21*
Other comprehensive income that will not be reclassified to profit or loss	**82**	**(38)**
Pensions	*82*	*(38)*
Total	**287**	**(34)**

13.3. Effective tax rate

The difference between the standard tax rate in France and the effective tax rate is detailed as follows:

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Income before tax	(405)	(564)
Standard tax rate in France	34.43%	34.43%
Theoretical tax based on the standard tax rate in France	139	194
Differences in French / foreign tax rates	(3)	(2)
Non deductible expenses or non taxable income	54	(8)
Variation of unrecognized deferred tax assets	(160)	(1 100)
CAVE impact	(20)	(24)
Other	7	15
Income tax expenses	**17**	**(925)**
Effective tax rate	4.2%	164%

For 2014, the tax rate applicable in France is 38% including additional contributions. Since the French fiscal group realized a fiscal deficit as of December 31, 2014, the tax proof has been established using the rate excluding additional contributions, i.e. 34.43%. Deferred tax has been calculated on the same basis.

13.4. Variation in deferred tax recorded during the period

In € millions	**January 1, 2014 (restated)**	**Amounts recorded in income statement**	**Amounts recorded in OCI**	**Amounts recorded in equity**	**Currency translation adjustment**	**Reclassific ation and other**	**December 31, 2014**
Flight equipment	(1 295)	126	-	-	-	-	(1 169)
Provisions	250	(24)	82	-	1	9	318
Debtors and creditors	21	3	188	-	-	1	213
Financial debt	832	(34)	-	-	-	-	798
Deferred revenue on ticket sales	177	(12)	-	-	-	-	165
Others	(306)	7	16	-	-	(4)	(287)
Deferred tax corresponding to fiscal losses	661	(1)	1	-	-	1	662
Deferred tax asset / (liability)	**340**	**65**	**287**	**-**	**1**	**7**	**700**

In € millions	**January 1, 2013 (restated)**	**Amounts recorded in income**	**Amounts recorded in OCI**	**Amounts recorded in equity**	**Currency translation adjustment**	**Reclassifi cation and other**	**December 31, 2013 (restated)**
Flight equipment	(1 292)	1	-	-	-	(4)	(1 295)
Provisions	259	32	(38)	-	-	(3)	250
Debtors and creditors	-	-	21	-	-	-	21
Financial debt	787	45	-	-	-	-	832
Deferred revenue on ticket sales	166	11	-	-	-	-	177
Others	(256)	(35)	(17)	-	-	2	(306)
Deferred tax corresponding to fiscal losses	1 598	(934)	-	-	-	(3)	661
Deferred tax asset / (liability)	**1 262**	**(880)**	**(34)**	**-**	**-**	**(8)**	**340**

The deferred taxes recognized on fiscal losses for the French fiscal Group amounts to €637 million as of December 31, 2014 versus €635 million as of December 31, 2013 with the respective basis of €1 850 million and €1 844 million.

13.5. Unrecognized deferred tax assets

In € millions	**December 31, 2014**		**December 31, 2013**	
	Basis	Tax	Basis	Tax
Temporary differences	332	114	474	163
Tax losses	4 440	1 529	3 896	1 342
Total	**4 772**	**1 643**	**4 370**	**1 505**

As of December 31, 2014, the cumulative effect of the limitation the French fiscal group's deferred tax assets results in the non-recognition of a deferred tax asset amounting to €1 613 million (corresponding to a basis of €4 686 million), including €1 499 million relating to tax losses and €114 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions).

As of December 31, 2013, the cumulative effect of the limitation of the French fiscal group's deferred tax assets resulted in the non-recognition of a deferred tax asset amounted to €1 482 million (corresponding to a basis of €4 306 million), including €1 319 million relating to tax losses and €163 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions). The amount of deferred tax on tax losses non-recognized during the period included €937 million relating to the limitation of the recoverability horizon (see note 13.1).

Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry-forwards of Air France Group subsidiaries, as well as tax loss carry-forwards in some subsidiaries in the United Kingdom.

14 NET INCOME FROM DISCONTINUED OPERATIONS

The line "Net income from discontinued operations" corresponds to the contribution from CityJet and VLM:

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Sales	38	150
Income from current operations	(5)	(19)
Impairment	-	(77)
Other non-current items	1	(25)
Income from operating activities	(4)	(121)
Financial income	-	(1)
Income before taxes	(4)	(122)
Income taxes	-	-
Net income from discontinued operations	**(4)**	**(122)**

- **Year ended December 31, 2014**

As of December 31, 2014, "Net income from discontinued operations" comprises the result realized by CityJet and VLM prior to their on April 30, 2014 (see notes 3 and 5). It also includes the gain of the disposal of these two companies which amounts to €1 million, recorded under "non-current items" in the net income from discontinued operations.

- **Year ended December 31, 2013**

Impairment

As of December 31, 2013, within the framework of the valuation of the Irish and Belgian "regional" companies, the Group recorded an additional provision of €77 million to align the net assets of the CityJet and VLM Group with its expected sale value.

Other non-current items

The other non-current items include provisions regarding a breach of contract and disputes relating to the payment of social contributions in France.

15 ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

- **Year ended December 31, 2014**

As of December 31, 2014, the "Assets held for sale" includes the fair value of four aircraft, amounting to € 3 million.

- **Year ended December 31, 2013**

As of December 31, 2013, the "Assets held for sale" and "Liabilities related to assets held for sale" correspond, for a respective €34 million and €58 million, to the assets and liabilities of the CityJet Group held for sale (see notes 2, 5 and 14).

The line "Assets held for sale" included the fair value of six aircraft held for sale amounting to €57 million, including two Boeing B747 freighters in the Air France Group for €51 million (see note 11).

16 EARNINGS PER SHARE

16.1. Income for the period – Equity holders per share

In € millions **As of January 1 to December 31**	**2014**	**2013**
Net income - Equity holders	(386)	(1 617)
Net income from continuing operations - Equity holders	(382)	(1 495)
Net income from discontinued operations - Equity holders	(4)	(122)
Number of shares issued	126 748 775	126 748 775
Earning per share – Equity holders basic and diluted per share (in euros)	**(3.05)**	**(12.76)**
Net income from continuing operation – Equity holders basic and diluted per share (in euros)	**(3.02)**	**(11.80)**
et income from discontinuing - Equity holders basic and diluted per share (in euros)	**(0.03)**	**(0.96)**

16.2. Non-dilutive instruments

The Group did not hold any non-dilutive instrument as of December 31, 2014

16.3. Instruments issued after the closing date

No instruments were issued after the closing date.

17 GOODWILL

17.1. Detail of consolidated goodwill

In € millions	2014			2013		
As of December 31	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Passenger	195	-	195	194	-	194
Cargo	1	-	1	1	-	1
Maintenance	23	(4)	19	20	(3)	17
Other	29	(1)	28	26	(1)	25
Total	**248**	**(5)**	**243**	**241**	**(4)**	**237**

17.2. Movement in net book value of goodwill

In € millions **As of December 31**	**2014**	**2013**
Opening balance	**237**	**252**
Acquisitions	3	-
Impairment	-	(11)
Currency translation adjustment	3	(1)
Change in scope	-	(3)
Closing balance	**243**	**237**

As of December 31, 2013, the impairment recorded concerned CityJet, following the writing down of its net asset value for reclassification under assets held for sales.

18 INTANGIBLE ASSETS

In € millions	Total
Gross value	
Amount as of December 31, 2012	**613**
Acquisitions	99
Change in scope	(6)
Disposals	(18)
Transfer	(9)
Amount as of December 31, 2013	**679**
Acquisitions	83
Change in scope	6
Disposals	(2)
Transfer	-
Amount as of December 31, 2014	**766**
Depreciation	
Amount as of December 31, 2012	**(272)**
Charge to depreciation	(56)
Releases on disposal	-
Change in scope	5
Transfer	5
Amount as of December 31, 2013	**(318)**
Charge to depreciation	(60)
Releases on disposal	-
Change in scope	-
Transfer	-
Amount as of December 31, 2014	**(378)**
Impairment	
Amount as of December 31, 2012	**-**
Transfer	4
Impairment	(4)
Amount as of December 31, 2013	**-**
Transfer	-
Impairment	-
Amount as of December 31, 2014	**-**
Net value	
As of December 31, 2013	361
As of December 31, 2014	388

Intangible assets of the Group are mainly software and capitalized IT costs.

19 TANGIBLE ASSETS

In € millions	Flight equipment	Other tangible assets	Total
Gross value			
Amounts as of December 31, 2012	**11 281**	**3 805**	**15 086**
Acquisitions	542	122	664
Disposals	(635)	(40)	(675)
Fair value hedge	28	-	28
Change in scope	57	(7)	50
Transfer	(353)	(22)	(375)
Currency translation adjustment	-	(3)	(3)
Amounts as of December 31, 2013	**10 920**	**3 855**	**14 775**
Acquisitions	721	113	834
Disposals	(516)	(24)	(540)
Fair value hedge	(76)	-	(76)
Change in scope	-	8	8
Transfer	(7)	(2)	(9)
Currency translation adjustment	-	4	4
Amounts as of December 31, 2014	**11 042**	**3 954**	**14 996**
Depreciation			
Amounts as of December 31, 2012	**(4 824)**	**(2 463)**	**(7 287)**
Charge to depreciation	(891)	(192)	(1 083)
Releases on disposal	501	37	538
Change in scope	-	4	4
Transfer	249	12	261
Currency translation adjustment	-	2	2
Amounts as of December 31, 2013	**(4 965)**	**(2 600)**	**(7 565)**
Charge to depreciation	(820)	(177)	(997)
Releases on disposal	313	20	333
Change in scope	-	-	-
Transfer	7	1	8
Currency translation adjustment	-	(2)	(2)
Amounts as of December 31, 2014	**(5 465)**	**(2 758)**	**(8 223)**
Net value			
Amounts as of December 31, 2013	**5 955**	**1 255**	**7 210**
Amounts as of December 31, 2014	**5 577**	**1 196**	**6 773**

Note 35 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 34 and 35.

The net book value of tangible assets financed under capital lease amounts to €2 394 million as of December 31, 2014 against €2 522 million as of December 31, 2013.

The charge to depreciation as of December 31, 2013 included €82 million of depreciation booked in non-current charges (see note 11).

20 CAPITAL EXPENDITURES

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

In € millions **As of December 31**	**2014**	**2013**
Acquisition of tangible assets	765	569
Acquisition of intangible assets	83	98
Accounts payable on acquisitions and capitalized interest	18	(22)
Total	**866**	**645**

21 EQUITY AFFILIATES

Movements over the period

The table below presents the movement in investment in associates and joint ventures:

In € millions	**Total**
Carrying value of share in investment as of December 31, 2012	**76**
Capital increase	16
Distributions	(2)
Change in consolidation scope	(14)
Other variations	1
Currency translation adjustment	(1)
Transfer	8
Carrying value of share in investment as of December 31, 2013	**84**
Share in net income of equity affiliates	4
Capital increase	9
Distributions	(4)
Change in consolidation scope	(9)
Other variations	(3)
Currency translation adjustment	4
Carrying value of share in investment as of December 31, 2014	**85**

Investments in equity method comprise only non significant joint ventures and associates for the Group.

22 OTHER FINANCIAL ASSETS

In € millions **As of December 31**	**2014**		**2013**	
	Current	**Non current**	**Current**	**Non current**
Financial assets available for sale				
Available shares	-	59	-	734
Shares secured	-	634	-	373
Assets at fair value through profit and loss				
Marketable securities	13	40	11	-
Cash secured	413	-	599	-
Loans and receivables				
Financial lease deposit (bonds)	79	445	65	508
Loans and receivables (others)	13	139	5	123
Loans and receivables	3	-	3	-
Gross value	**521**	**1 317**	**683**	**1 738**
Impairment at opening date	**-**	**(18)**	**-**	**(12)**
New impairment charge	-	(3)	-	(6)
Impairment at closing date	**-**	**(21)**	**-**	**(18)**
Total	**521**	**1 296**	**683**	**1 720**

Financial assets available for sale are as follows:

In € millions	**Fair Value**	**% interest**	**Stockholder's equity**	**Net income**	**Stock price (in €)**	**Closing date**
As of December 31, 2014						
Amadeus (*)	654	4.41%	NA(**)	NA(**)	33.09	December 2014
Others	39	-	-	-	-	-
Total	**693**					
As of December 31, 2013						
Amadeus (*)	1 076	7.73%	1 840	563	31.11	December 2013
Others	31	-	-	-	-	-
Total	**1 107**					

(*) Listed company
(**) Non-available

Financial assets available for sale
As described in note 11, the variation in the percentage of the capital share in Amadeus is linked to the sale of 14,821,019 shares as at September 9, 2014.

Assets at fair value through profit and loss
The assets at fair value through profit and loss mainly comprise shares in mutual funds that are not classified as 'cash equivalents' and cash pledged mainly within the framework of the swap contract signed with Natixis on the OCEANE 2005 (see note 30) and the guarantee given to the European Union on the anti-trust litigation (see note 29.3).

Loans and receivables
Loans and receivables mainly include deposits on flight equipment made within the framework of operating and capital leases.

Transfer of financial assets that are not derecognized in their entirety

Transfer of receivables agreement:

The Group entered into a loan agreement secured by Air France's one per cent housing loans. For each of the CILs (Comités Interprofessionnels du Logement), Air France and the bank concluded, in July 2012, a tripartite receivables delegation agreement with reference to the loan agreement. Through this agreement, the CILs commit to repay directly the bank on each payment date. These are imperfect delegations: in the event of non-repayment by the CILs, Air France remains liable to the bank for repayments of the loan and interest. As of December 31, 2014, the amount of transferred receivables stood at €109 million (versus €111 million as of December 31, 2013). The associated loan stood at €80 million as of December 31, 2014 (versus €81 million as of December 31, 2013).

Loan of shares agreement:

The loan of shares agreement Amadeus, signed on November 13, 2012, was closed on September 9, 2014.
On November 25, 2014, the Group signed a new loan of shares agreement on Amadeus shares, within the framework of the hedging transaction to protect the value of Amadeus shares.
As a consequence, as of December 31, 2014, the amount of the loan, excluding hedge effect, amounted to €328 million at fair value (versus €373 million as of December 31, 2013). The loan of shares amounts to 2.21 per cent of the 4.41 per cent shares hold (see not 32.1)

Furthermore among the 4.41 per cent of Amadeus shares hold, 2.068 per cent were pledged with a bank to secure the swap on Oceane 2005. The value of these pledged shares amounts to €306 million as of December 31, 2014.

Transfer of financial assets that are derecognized in their entirety

Since 2011, the Group has established non-recourse factoring agreements concerning passenger, cargo and airline trade receivables. These agreements apply to receivables originating in France and other European countries for a total transferred amount of €247 million as of December 31, 2014, against €211 million as of December 31, 2013.
The Group retains the risk of dilution regarding these transferred assets for which guarantees have been secured for €16 million as of December 31, 2014, against €10 million as of December 31, 2013.

23 INVENTORY

In € millions **As of December 31**	**2014**	**2013**
Aeronautical spare parts	354	325
Other supplies	87	79
Stock	1	-
Production work in progress	10	6
Gross value	**452**	**410**
Opening valuation allowance	**(101)**	**(108)**
Charge to allowance	(14)	(7)
Use of allowance	8	10
Reclassification	-	4
Closing valuation allowance	**(107)**	**(101)**
Net value of inventory	**345**	**309**

24 TRADE ACCOUNTS RECEIVABLES

In € millions **As of December 31**	**2014**	**2013**
Airlines	333	386
Other customers :		
* Passenger	423	456
* Cargo	141	138
* Maintenance	290	298
* Other	33	26
Gross value	**1 220**	**1 304**
Opening valuation allowance	**(66)**	**(72)**
Charge to allowance	(14)	(9)
Use of allowance	9	14
Change of scope	-	2
Reclassification	1	(1)
Closing valuation allowance	**(70)**	**(66)**
Net value	**1 150**	**1 238**

25 OTHER ASSETS

In € millions **As of December 31**	**2014**		**2013**	
	Current	**Non current**	**Current**	**Non current**
Suppliers with debit balances	104	-	140	-
State receivable (including income tax)	59	-	42	-
Derivative instruments	121	78	146	37
Group and associates	142	-	84	-
Prepaid expenses	141	3	114	21
Other debtors	249	4	112	-
Gross value	**816**	**85**	**638**	**58**
Opening valuation allowance	**(2)**	**-**	**(3)**	**-**
Charge to allowance	(4)	-	(1)	-
Use of allowance	1	-	1	-
Reclassification	(1)	-	1	-
Closing valuation allowance	**(6)**	**-**	**(2)**	**-**
Net realizable value of other assets	**810**	**85**	**636**	**58**

As of December 31, 2014, non-current derivatives instruments do not comprise any currency hedges on financial debt.

26 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions **As of December 31**	**2014**	**2013**
Liquidity funds (SICAV) (assets at fair value through profit and loss)	254	408
Bank deposits and term accounts (assets at fair value through profit and loss)	240	155
Cash in hand	680	761
Total cash and cash equivalents	**1 174**	**1 324**
Bank overdrafts	(249)	(166)
Cash, cash equivalents and bank overdrafts	**925**	**1 158**

The Group holds €1 174 million in cash as of December 31, 2014, including €89 million on Venezuelan bank accounts, valued at the rate applicable to airlines. This amount comes from the sale of airline tickets locally during the period from February 2013 to December 2013. Under the exchange control, monthly requests for money transfers have been made to the Commission of Currency Administration (*Comisión de Administración de-Divisas CADIVI*). Given the Venezuelan economic and political context, some currency transfers are still pending.

27 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE

27.1. Issued capital

As of December 31, 2014, the issued capital of Air France comprised 126 748 775 fully paid-up shares. Each share is entitled to one vote. The nominal value of each share amounts to €1. The company is 99.99% held by Air France-KLM company.

27.2. Additional paid-in capital

Thirty million euros of additional paid-in capital is the result of the partial contribution of assets on September 15, 2004.

27.3. Reserves and retained earnings

In € millions **As of December 31**	**2014**	**2013** **Restated**
Legal reserve	67	67
Distributable reserves	-	-
Derivatives reserves	(413)	8
Available for sale securities reserves	425	655
Pension defined benefit reserves	(407)	(250)
Other reserves	517	1 366
Net income (loss) – Group share	(386)	(1 617)
Total	**(197)**	**229**

As of December 31, 2014, the legal reserve of €67 million represented 53% of Air France's issued capital. French company law requires that a limited company (*société anonyme*) allocates 5 per cent of its unconsolidated statutory net income each year to this legal reserve until it reaches 10 per cent of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year.
The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

28 SHARE-BASED COMPENSATION

As of December 31, 2014, there is no outstanding share-based compensation plans in the Air France Group.

29 PROVISIONS AND RETIREMENT BENEFITS

In € millions		Retirement benefits note 29.1	Maintenance and restitution of aircraft	Restruc-turing	Litigation	Others	Total
Amount as of January 1, 2013		**1 483**	**443**	**427**	**258**	**191**	**2 802**
Of which:	*Non-current*	*1 483*	*360*	*4*	*250*	*179*	***2 276***
	Current	*-*	*83*	*423*	*8*	*12*	***526***
New provision		49	176	283	65	78	**651**
Use of provision		(1)	(76)	(234)	(28)	(54)	**(393)**
Reversal of unnecessary provisions		-	-	(33)	-	-	**(33)**
Fair value revaluation		(111)	-	-	-	-	**(111)**
Change in scope		2	1	-	-	(2)	**1**
Accretion impact		-	(2)	-	-	-	**(2)**
Reclassification		(3)	(24)	-	7	(5)	**(25)**
Amount as of December 31, 2013		**1 419**	**518**	**443**	**302**	**208**	**2 890**
Of which:	*Non-current*	*1 419*	*370*	*-*	*272*	*185*	***2 246***
	Current	*-*	*148*	*443*	*30*	*23*	***644***
New provision		76	213	52	36	63	**440**
Use of provision		(54)	(92)	(188)	(31)	(72)	**(437)**
Reversal of unnecessary provisions		-	-	(2)	(4)	-	**(6)**
Fair value revaluation		239	-	-	-	-	**239**
Accretion impact		-	10	-	-	6	**16**
Reclassification		(4)	(28)	1	-	2	**(29)**
Amount as of December 31, 2014		**1 676**	**621**	**306**	**303**	**207**	**3 113**
Of which:	*Non-current*	*1 676*	*425*	*-*	*276*	*183*	***2 560***
	Current	*-*	*196*	*306*	*27*	*24*	***553***

As of December 31, 2014, the impact on the net periodic pension cost linked to the restructuring plans of Air France and its regional subsidiaries amounting to €36 million is recorded in “Other non-current income and expenses” (see note 11). As of December 31, 2013, the impact was €54 million.
Movements in provisions for restructuring which have an impact on the income statement are recorded in “other non-current income and expenses” when the plans concerned have a material impact (see note 11).
Movements in provisions for restitution of aircraft which have an impact on the income statement are recorded in “provisions”, except for the accretion impact which is recorded in “other financial income and expenses” (see note 12).
Movements in provisions for litigation and in provisions for other risks and charges which have an impact on the income statement are recorded, depending on their nature, in the different lines of the income statement.

29.1. RETIREMENT BENEFITS

The Group has a large number of retirement and other long-term benefits plans for its employees, several of which are defined benefit plans. The specific characteristics (benefit formulas, funding policies and types of assets held) of the plans vary according to the regulations and laws in the particular country in which the employees are located.

29.1.1 Characteristics of the main defined benefit plans

Air France pension plan (CRAF) – France

The employees covered by this plan are the Air France ground staff affiliated to the CRAF until December 31, 1992. The participants receive, or will receive on retirement, an additional pension paid monthly and permanently calculated based on the data known as of December 31, 1992 and expressed in the form of points.

The value of each point is reevaluated every year based on the weighted increases seen in the CNAV and ARRCO schemes over the last twelve months.
Until 2009, the CRAF had the legal form of a supplementary pension institution (pursuant to the "Sécurité Sociale" Code). With this status, the CRAF was responsible, on behalf of the Air France ground staff employed in France, for managing the pension plan resulting from the merging of the Air France ground staff plan with the mandatory pension plan for the private sector.
Following the 2003 law on pension reform, foreseeing the disappearance of supplementary pension institutions as of December 31, 2008, the CRAF's Board of directors opted to transform it into an institution managing supplementary pensions. The CRAF is now responsible for the administrative functions linked to the plan.
The pension rights were not amended by this reform. Air France is directly responsible for the pension obligations.
As of December 31, 2008, all the funds managed by the CRAF had been transferred to two insurance companies. On December 31, 2012, one of the insurance contracts was terminated and its funds were transferred to the other, which thus became the only insurer.
This guarantees a capital of 10 per cent equal to the amount of capital invested in units of account in its collective fund, this percentage being automatically set to increase over time.
The annual payments made by Air France to the insurance company are governed by the agreement signed with the employee representative bodies on December 14, 2009. The minimum annual payment defined by this agreement amounts to €32.5 million. If the value of the funds falls below 50% of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50% coverage rate. The funds are invested in bonds, equities and general assets of the insurance company. Studies of assets / liabilities allocation are carried out regularly, to verify the relevance of the investment strategy.

Air France end of service benefit plan (ICS) - France

Pursuant to French regulations and the company agreements, every employee receives an end of service indemnity on retirement.
In France, this indemnity depends on the number of years of service, the professional category of the employee (flight deck crew, cabin crew, ground staff, agent, technician and executive) and, in some cases, on the age of the employee at retirement.
On retirement, employees consequently receive an end of service indemnity based on their final salaries over the last twelve-months and on their seniority.
The indemnity is only payable to the employees on their retirement date.
There is no mandatory minimum funding requirement for this scheme.
Air France has nevertheless signed contracts with three insurance companies to pre-finance the plan. The company has sole responsibility for payment of the indemnities, but remains free to make payments to the insurance companies.
The relevant outsourced funds are invested in bonds and equities.

As of December 31, 2014, the two plans presented above represented a respective 86% of the Group's pension liabilities and 79% of the Group's pension assets.

29.1.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group's benefit obligation were made as of December 31, 2014 and December 31, 2013. These calculations include:

- assumptions on staff turnover and life expectancy of the beneficiaries of the plan,
- assumptions on salary and pensions increases,
- assumptions of retirement ages varying from 55 to 67 depending on the localization and the applicable laws,
- long term inflation rate reflecting the evolution of the market.
  Most of the Group's benefit obligations are located in the Euro zone, where the long term inflation rates used are 1.70 per cent as of December 31, 2014 and 2.00 per cent as of December 31, 2013 for the duration 10 to 15 years.
- discount rates used to determine the actuarial present value of the projected benefit obligations.
  The discount rates for the different geographical areas are thus determined based on the duration of each plan, taking into account the average trend in interest rates on high quality bonds, observed on the main available indices. In some countries, where the market regarding this type of bond is not broad enough, the discount rate is determined with reference to government bonds. Most of the Group's benefit obligations are located in the Euro zone, where the discount rates used are 1.65 per cent as of December 31, 2014 and 3.00 per cent as of December

31, 2013 for the duration 10 to 15 years.

- On an average basis, the main assumptions used to value the liabilities are summarized below:

The rate of salary increase (excluding inflation) is 3.16 per cent for the Group as of December 31, 2014 against 2.85 per cent as of December 31, 2013.

The rate of pension increase (excluding inflation) is 1.81 per cent for the Group as of December 31, 2014 against 1.32 per cent as of December 31, 2013.

The sensitivity of the pension obligations to a change in assumptions, based on actuarial calculations, is as follows:

Sensitivity to changes in the inflation rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the inflation rate	73	80
0.25% decrease in the inflation rate	(67)	(75)

Sensitivity to changes in the discount rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the discount rate	(72)	(58)
0.25% decrease in the discount rate	78	66

Sensitivity to changes in salary increase (excluded inflation)

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the salary increase rate	43	37
0.25% decrease in the salary increase rate	(39)	(33)

Sensitivity to changes in pension increase (excluded inflation)

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the pension increase rate	30	25
0.25% decrease in the pension increase rate	(26)	(23)

29.1.3 Evolution of commitments

The following table details the reconciliation between the benefits obligation and plan assets of the Group and the amounts recorded in the financial statements for the years ended December 31, 2014 and December 31, 2013.

(In € millions)	As of December 31, 2014		As of December 31, 2013	
	France	**Other countries**	**France**	**Other countries**
Benefit obligation at beginning of year	**2 115**	**199**	**2 186**	**230**
Service cost	61	2	65	1
Interest cost	60	10	64	8
Employees' contribution	-	-	-	1
Plan amendments and curtailment	(37)	-	(56)	(6)
Change in consolidation scope	-	-	2	-
Benefits paid	(106)	(10)	(101)	(11)
Transfers of assets/liability through Balance Sheet	-	-	-	-
Actuarial loss / (gain) demographic assumptions	(4)	3	(3)	2
Actuarial loss / (gain) financial assumptions	307	16	(26)	(20)
Actuarial loss / (gain) experience gap	(23)	2	(16)	3
Currency translation adjustment	-	12	-	(8)
Other	-	(1)	-	(1)
Benefit obligation at end of year	**2 373**	**233**	**2 115**	**199**
Including benefit obligation resulting from schemes totally or partly funded	*2 303*	*201*	*2 053*	*166*
Including unfunded benefit obligation	*70*	*32*	*62*	*33*
Fair value of plan assets at beginning of year	**747**	**148**	**786**	**147**
Expected return on plan assets	21	7	22	6
Actuarial gain / (loss) on plan assets	49	13	48	3
Disbursement from plan assets	(87)	(7)	(96)	(7)
Employers' contributions	18	12	(13)	6
Employees' contributions	-	-	-	1
Plan curtailment and settlement	-	-	-	(1)
Currency translation adjustment	-	10	-	(7)
Other	-	(1)	-	-
Fair value of plan assets at end of year	**748**	**182**	**747**	**148**
Amounts recorded in the balance sheet(*) :				
Pension asset	-	1	-	-
Provision for retirement benefits	(1 625)	(52)	(1 368)	(51)
Net amount recognized	**(1 625)**	**(51)**	**(1 368)**	**(51)**
Net periodic cost :				
Service cost	61	2	65	1
Interest cost	60	10	64	8
Expected return on plan assets	(21)	(7)	(22)	(6)
Plan amendments, curtailment and settlement	(37)	-	(56)	(5)
Recognition of actuarial (gain) loss	1	-	(1)	-
Other	-	-	-	1
Net periodic cost	**64**	**5**	**50**	**(1)**

* All the obligations are recorded as non-current liabilities.

Amendments and curtailment of pension plans

As of December 31, 2014 a curtailment of the pension plan at Air France and its regional subsidiaries is made, amounting of €36 million, within the framework of the voluntary departure plan.

As of December 31, 2013, a curtailment of the pension plan was booked by Air France and its subsidiaries amounting to €54 million, within the framework of the voluntary departure plan (see note 11).

29.1.4 Asset allocation

The weighted average allocation of the funds invested in Group's pension and other long-term benefit plans is as follows:

As of December 31	Funds invested in 2014		Funds invested in 2013	
	France	**Other countries**	**France**	**Other countries**
Equities	39%	29%	41%	31%
Bonds	48%	52%	46%	62%
Real estate	-	4%	-	5%
Others	13%	4%	13%	2%
Insurance	-	11%	-	-
Total	**100%**	**100%**	**100%**	**100%**

Equities are mainly invested in active markets in Europe.
The bonds primarily comprise government bonds, rated at least BBB, and invested in Europe.
The real estate assets are mainly located in Europe.

The Group's pension assets do not include assets occupied or used by the Group.

29.1.5 Expected cash flows and risks linked to the pension obligations

The expected cash flows relative to the defined benefit pension plans will amount to €38 million for the year ending December 31, 2015. The weighted average duration of the obligation is 12 years.

The funding, capitalization and matching strategies implemented by the Group are presented in paragraph 29.1.
According to this description, the Group has no obligation to recapitalize the plans for which a minimum funding is required over the short or long term.

29.2. PROVISIONS FOR RESTRUCTURING

As of December 31, 2014 and as of December 31, 2013, provision for restructuring mainly includes the voluntary departure plans at Air France and its regional affiliates.

29.3. PROVISIONS FOR LITIGATION

Provision for litigation with third parties

An assessment of litigation risks with third parties was carried out with the Group's attorneys and provisions have been recorded whenever circumstances require.
Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities could reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

In the normal course of its activities, the Air France Group is involved in litigation cases, some of which may be significant.

<u>**Provision for anti-trust cases in the air-freight industry**</u>

Air France has been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the anti-trust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air-freight industry.

As of December 31, 2014 most of these investigations have been terminated following the entry into plea agreements between Air France and the appropriate competition authorities providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, the Swiss anti-trust authority, which are still pending.

In Europe, Air France has filed an appeal before the European Union General Court against the 2010 European Commission decision. The €183 million fine decided by the commission has been recognized as a provision.

In Switzerland, Air France and KLM are challenging a decision imposing a €3 million fine before the relevant court.

In South Korea, the procedure is definitely closed: in December 2014, the Supreme Court confirmed the fines imposed by the competition authority against Air France for a total of €1.9 million.

<u>**Other provisions**</u>

Other provisions relate principally to power-by-hour contracts (maintenance activity of the Group), provisions for the onerous leases, provisions for the portion of CO2 emissions not covered by the free allowance of quotas and provisions for the dismantling of buildings.

29.4. CONTINGENT LIABILITIES

The Group is involved in several governmental, juridical and arbitration procedures for which provisions have not been recorded in the financial statements in accordance with applicable accounting rules.

<u>**Third-party claims for damages in with alleged anti-competitive behaviors in the air-freight industry**</u>

Following the initiation of various investigations by competition authorities in February 2006 and the E.U. Commission decision in 2010 several collective and individual actions were brought by forwarders and air-freight shippers in civil courts against Air France, and the other airlines in several civil jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to the cartel.
Air France remains defendant, either as main defendant (in particular in The Netherlands, Norway, South Korea and the United States of America) or as third parties interveners brought in these cases by other main defendants under “contribution proceedings” (in the UK for example). Where Air France, is main defendants, she has also initiated contribution proceedings against other airlines.

No provision has been recognized at present in connection with these disputes as Air France is not in a position at this stage of the judicial proceedings to give a reliable estimate of the potential loss that would be incurred if the outcome of these proceedings were negative. In particular, although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/ or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs generally refer to is still not definitive.

Air France and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims

<u>Third-party claims for damages in connection with alleged anti-competitive behaviors in the passenger sector</u>

Canada

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France.
The plaintiffs allege that the defendants participated in a conspiracy in the passenger air transport service from/to Canada on the cross-Atlantic routes, for which they are claiming damages. Air France strongly denies any participation to such conspiracy.

<u>Other litigations</u>

Rio-Paris AF447 flight

Following to the crash in the South Atlantic Ocean of the Rio-Paris AF447 flight, a number of legal actions for damages have been brought by heirs of the victims in the United States and Brazil and more recently in France.
All these proceedings are aimed at receiving damages as reparation for the losses suffered by the heirs of the passengers who died in the crash.
Damages to heirs of the victims are covered by third-party liability insurance subscribed by Air France.

In 2011, Air France and Airbus were indicted as legal entities for unintentional manslaughter and therefore are exposed to applicable fines under the French criminal code. Air France is challenging its implication in this criminal case.

Except for the matters specified under the paragraphs 29.3 and 29.4, the Group is not aware of any governmental, judicial and arbitration dispute or proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, for a period including at least the past twelve months.

30 FINANCIAL DEBT

In € millions **As of December 31**	**2014**	**2013**
Non current financial debt		
OCEANE (convertible bonds)	419	419
Capital lease obligations	2 057	2 148
Other debt	919	1 333
Total	**3 395**	**3 900**
Current financial debt		
Bonds	-	741
Capital lease obligations	317	341
Other debt	234	301
Accrued interest	20	62
Total	**571**	**1 445**

30.1. OCEANE

In April 2005, the company Air France, a subsidiary of the Air France-KLM Group, issued convertible bonds maturing in 15 years. The conversion option allows for conversion and/or exchange at any time into new or existing Air France-KLM shares (OCEANE). 21,951,219 bonds were issued for a total amount of €450 million. Each bond has a nominal value of €20.50. As of December 31, 2014, the conversion ratio is 1.03 Air France-KLM shares for one bond.

The maturity date for this convertible bond is April 1, 2020. Bond holders could request reimbursement as of April 1, 2012 and will also be able to do this as of April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 and, under certain conditions, encouraging OCEANE holders to convert into Air France-KLM shares. The annual coupon is 2.75 per cent payable in arrears at the end of each period ended April 1.
The conversion period of these bonds runs from June 1, 2005 to March 23, 2020, except in the event of early reimbursement.

On December 6, 2011, to optimize its debt repayment schedule by neutralizing the exercise of the OCEANE repayment option on April 1, 2012, Air France signed a swap agreement relating to these OCEANEs (total return swap) with Natixis expiring on April 1, 2016 at the latest. In order to hedge this contract, Natixis launched a contractual acquisition procedure to purchase the aforementioned OCEANEs.

This contract was thus reflected in the following operations:

· The purchase by Natixis of 18,692,474 OCEANEs (i.e. 85.16% of the amount initially issued) at a fixed price of €21 following a contractual acquisition procedure open between December 7 and December 13, 2011. Natixis is the owner of the acquired OCEANEs and did not exercise its early repayment option on April 1, 2012.

· A swap contract, effective as from December 14, 2011 and expiring on April 1, 2016 has a notional amount of €392.5 million (number of OCEANEs acquired by Natixis multiplied by the purchase price of €21). Regarding this swap, Air France receives the coupon on the OCEANEs i.e. 2.75 per cent and pays variable interest indexed to Euribor 6 months. At the swap termination, Air France and Natixis will also exchange the difference between the OCEANE price at that date and the initial price of €21.

. Air France has a termination option on the swap starting December 19, 2012 and expiring on February 1, 2016.

· Since January 2014 the contract is the subject to a guarantee with a cash collateral for half of the notional of the swap and a pledge of Amadeus shares for the other half (see note 22).

Of the 3,258,150 OCEANEs not purchased by Natixis within the framework of the contractual acquisition procedure, 1,501,475 OCEANEs were reimbursed on April 2, 2012, for an amount of €31 million, following exercise of the repayment option by some holders.

As of December 31, 2014, the debt value amounts to €419 million.

30.2. Capital lease commitments

The breakdown of total future minimum lease payments related to capital leases is as follows:

In € millions **As of December 31**		**2014**	**2013**
Aircraft			
Future minimum lease payments – due dates			
Y+1		291	328
Y+2		318	256
Y+3		190	323
Y+4		197	176
Y+5		321	161
Over 5 years		761	938
Total		**2 078**	**2 182**
Including:	Principal	1 907	1 975
	Interests	171	207
Buildings			
Future minimum lease payments – due dates			
Y+1		66	65
Y+2		52	66
Y+3		57	51
Y+4		61	55
Y+5		37	58
Over 5 years		247	288
Total		**520**	**583**
Including:	Principal	385	426
	Interests	135	157
Other property, plant and equipment			
Future minimum lease payments – due dates			
Y+1		13	13
Y+2		11	12
Y+3		10	10
Y+4		9	10
Y+5		10	10
Over 5 years		68	78
Total		**121**	**133**
Including:	Principal	82	88
	Interests	39	45

The lease expenses over the period do not include contingent leases. Deposits made on purchase options are presented in note 22.

30.3. Other debt

Other debt breaks down as follows:

In € millions **As of December 31**	**2014**	**2013**
Reservation of ownership clause and mortgage debt	840	1 139
Other debt	313	495
Total	**1 153**	**1 634**

Other debt corresponds mainly to bank borrowings.

Reservation of ownership clause and mortgage debt are debts secured by a mortgage on an aircraft. The mortgage is filed at the national civil aviation authority (the DGAC in France) in order to be publicly available to third parties. A mortgage grants to the mortgagee a right to enforce the security (by order of a judge), the sale of the asset and a priority claim on the sale proceeds in line with the amount of the loan, the balance reverting to the other creditors.

30.4. Maturity analysis

The financial debts maturities break down as follows:

In € millions **As of December 31**		**2014**	**2013**
Maturities in			
Y+1		665	1 601
Y+2		985	573
Y+3		435	1 015
Y+4		445	463
Y+5		551	510
Over 5 years		1 431	1 934
Total		**4 512**	**6 096**
Including:	- Principal	3 966	5 345
	- Interest	546	751

As of December 31, 2014, the expected financial costs amount to €93 million for the 2015 financial year, €256 million for the financial years 2016 to 2019, and €197 million thereafter.

As of December 31, 2014, it has been considered that the OCEANE would be reimbursed according to their most probable maturity corresponding to the second exercise date of the investor put, i.e. April 1, 2016, for its major part (see note 30.1).

30.5. Currency analysis

The breakdown of financial debt by currency after impact od derivatives instruments is as follows:

In € millions **As of December 31**	**2014**	**2013**
Euro	3 392	4 796
Yen	441	421
US Dollar	133	127
Other	-	1
Total	**3 966**	**5 345**

30.6. Credit lines

Since April 4, 2011, Air France renewed its credit facility maturing on April 7, 2013 with a €1 060 million revolving credit facility maturing on April 4, 2016, subject to the following financial covenants based on the Air France Group's consolidated financial statements:

- EBITDAR must not be lower than two and a half times the net interest charges increased by one third of operating lease payments;
- tangible and financial assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured financial net debts.

These ratios are calculated every six months and are respected at December 31, 2014.
As of December 31, 2014 this credit line has not been drawn down.

In addition, the group has credit lines with Air France-KLM amounting to €491 million, of which only €123 million have been drawn down.

31 OTHER LIABILITIES

In € millions **As of December 31**	**2014**		**2013**	
	Current	**Non current**	**Current**	**Non current**
Tax liabilities (including income tax)	456	-	444	-
Employee-related liabilities	582	-	610	-
Non current assets' payables	30	-	80	-
Derivative instruments	624	181	50	162
Deferred income	269	77	132	24
Other	347	29	318	12
Total	**2 308**	**287**	**1 634**	**198**

Derivative instruments do not comprise currency hedges on financial debts as of December 31, 2014, and as of December 31, 2013.

32 FINANCIAL INSTRUMENTS

32.1. Risk management

- **Market risk management**

Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Executive Officers of Air France and of KLM, the Chief Financial Officer of Air France-KLM, and the Chief Financial Officers of Air France and of KLM. The RMC meets each quarter to review Group reporting of the risks relating to the fuel price, the principal currency exchange rates, interest rates and carbon quota prices, and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the preferred types of hedging instrument. The aim is to reduce the exposure of Air France-KLM to the market fluctuations. The RMC also defines the counterparty-risk policy.
The decisions made by the RMC are implemented by the treasury and fuel purchasing departments within each company. In-house procedures governing risk management prohibit speculation.
The instruments used are swap, forwards and options.
Regular meetings are held between the fuel purchasing and treasury departments of both companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties.
The treasury management departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis. Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is transmitted to the executive managements.
The implementation of the policy on fuel hedging is the responsibility of the fuel purchasing departments, which are also in charge of purchasing fuel for physical delivery. A weekly report, enabling the evaluation of the net-hedged fuel cost of the current fiscal year and the two following years, is sent to the executive management. This mainly covers the transactions carried out during the week, the valuation of all the positions, the hedge percentages as well as the breakdown of instruments and the underlyings used, average hedge levels, the resulting net prices and stress scenarii, as well as market commentary. Furthermore, the fuel purchasing department issues a weekly Air France-KLM Group report (known as the GEC Report) which consolidates the figures from the two companies relating to fuel hedging and physical cost.
Lastly, a monthly report, which is submitted to the executive management by the fuel purchasing department, indicates the level of advancement on carbon quota purchases and the forecast related expenditure.

- **Currency risk**

Most of the Group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure is to the US dollar.
With regard to the US dollar, since expenditure on items such as fuel, operating leases and component costs exceed the level of revenue, the Group is a net buyer. This means that any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results.
Conversely, Air France is a net seller of other currencies, the level of revenues exceeding expenditure. The main exposure concerns the yen and sterling. As a result, any significant decline in these currencies relative to the euro could have a negative effect on the Group's activity and financial results.
In order to reduce its currency exposure, the Group has adopted hedging strategies.
Air France progressively hedges its net exposure over a rolling 24-month period.
Aircraft are mainly purchased in US dollars, meaning that the Group is highly exposed to a rise in the dollar against the euro for its aeronautics investments. The hedging policy plans the progressive and systematic implementation of hedging between the date of the aircraft order and their delivery date.
The exchange rate risk on the Group's financial debt is limited. At December 31, 2014, 86% of the Group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby markedly reducing the risk of currency fluctuation on the debt. The exposure of the debt to other currencies mainly concerns yen and US dollar.

Despite this active hedging policy, not all exchange rate risks are covered. The Group and its subsidiaries might then encounter difficulties in managing currency risks, which could have a negative impact on the Group's business and financial results.

- **Interest rate risk**

The financing of assets are mainly contracted in floating rates, in line with market practice. Given the historically low interest rates, a portion of this debt has been converted to fixed rate through swaps and options. Market financing is contracted at fixed rates.
After hedging, the Air France Group's gross debt contracted at fixed rates represents 43% of the overall total.

- **Fuel price risk**

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy for the whole of the Air France Group and approved by the executive management. The RMC reconsider the hedging strategy quarterly and can change the hedge percentage or underlyings.

Main characteristics of the hedge strategy

Hedge horizon: 2 years

Minimum hedge percentage:

- quarter underway: 60% of the volumes consumed,
- quarter 1 to quarter 3: 60% of the volumes consumed,
- quarter 4: 50% of the volumes consumed,
- quarter 5: 40% of the volumes consumed,
- quarter 6: 30% of the volumes consumed,
- quarter 7: 20% of the volumes consumed,
- quarter 8: 10 per cent of the volumes consumed.

Increment of coverage ratios: 10 per cent by quarter

Underlyings: Brent, Diesel and Jet Fuel
The strategy of the Group recommends the use of three underlying instruments which are Brent, Diesel and Jet Fuel. Currently, the volumes are mainly hedged in Brent given the few relatively unattractive prices for Diesel and Jet Fuel.

Instruments:
Swap, call, call spread, three ways, four ways and collar.

IAS 39 rule:
The instruments and underlyings used within the framework of the strategy must be compliant with IAS 39.

Implementation of monitoring indicators on positions:
To ensure more effective monitoring of the marked-to-market positions and a dynamic management of its exposure, the Air France Group uses the VAR (value at risk) metric to help measure the risk incurred by its portfolio. This monitoring is also reinforced by taking into account the maximum loss and maximum gain which limit the scale of variation of this same portfolio and enable the appropriate reaction.

- **Risks on carbon credit**

To meet its regulatory obligations, the CO2 emission quota acquisition strategy has been monitored and reviewed during every RMC meeting since October 2011. Its implementation led to the progressive hedging of the requirement for the current year (2014) and to anticipate the needs of the following year (2015) by hedging a portion of the latter based on an applicable scope similar to the 2013's one.

Underlyings: EUA quotas.

Instruments: Forwards, delivery and payment during the quarter preceding the compliance application date.

- **Investment risks**

The cash resources of Air France are currently invested in short term, primarily deposits, money market mutual funds and certificates mainly rated A1/P1, the other lines being rated A2/P2.

- **Equity risks**

The Air France Group holds a limited number of shares which are listed for trading.
The value of these investments may vary during their period of ownership. These investments are accounted for using either the equity method (associates) if the Group has the ability to exercise significant influence, or at their fair value. If the fair value cannot be determined from a practical point of view, the value of the investment is measured at its acquisition cost.

On September 9, 2014, as part of its active balance sheet management policy, the Group sold 4,475,819 shares of the Spanish company Amadeus IT Holding S.A. ("Amadeus") by a private placement, representing 1.0 per cent of the company's share capital.
The Group simultaneously sold in addition 10,345,200 shares, representing 2.31 per cent of the company's share capital, in the framework of the settlement of the hedging transaction implemented in 2012 and covering 12 million shares in Amadeus. These transactions generated cash received of €339 million for the Group (see notes 3, 11 and 22).

On November 25, 2014, the Group entered into a hedge agreement with Deutche Bank covering 9.9 million shares in Amadeus, representing around a half of its stake. This hedging transaction (collar) enables the Group to protect the value of these shares (see note 3 and 22).

Furthermore the portion of shares that were not covered by the hedge transaction as of December 31, 2014 was sold in January 2015 (see note 3.2). The Group consequently has a minor risk exposure of an important and unexpected change in the market value of these Amadeus shares.

- **Counterparty risk management**

The transactions involving potential counterparty risk are as follows:
- Financial investments;
- Derivative instruments;
- Trade receivables.

  - Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty, for all instruments except investments in money market funds (OPCVM) for which the counterparty risk is deemed not to be significant. The Group's counterparty-risk reporting is circulated each month to the executive managements, the risk being measured at the fair market value of the various instruments. Any exceeding of a limit immediately results in the implementation of corrective measures.

  - The counterparty risk linked to derivatives instruments is taken into account in the valuation of their market value as described in the note 4.10.3. Derivatives instruments are governed by the ISDA and FBF compensation master agreements. In these agreements, compensation (in the event of default) has to be made by counterparty for all the derivatives governed by each type of agreement.

  - Counterparty risk relating to trade receivables is limited due to the large number and geographical diversity of the customers comprising the trade receivables portfolio.

The Group has identified the following exposure to counterparty risk:

LT Rating (Standards & Poors)	**Total exposure in € millions**	
As of December 31	**2014**	**2013**
AA	-	6
AA-	-	6
A+	21	99
A	397	663
A-	-	16
BBB	-	96
BBB+	100	-
NR	-	-
Total	**518**	**886**

- **Liquidity risk**

The liquidity risk relates to the credit lines held by the Group, as described in note 30.6.

32.2. Derivative instruments

As of December 31, 2014, the fair value of the Group's derivative instruments and their expected maturity are as follows:

In € millions		**Total**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**	**> Y+5**
Commodities derivative instruments	Asset	1	-	1	-	-	-	-
	Liability	756	619	137	-	-	-	-
Interest rate derivative instruments	Asset	3	3	-	-	-	-	-
	Liability	20	-	5	6	3	6	-
Currency exchange derivative instruments	Asset	185	114	70	-	1	-	-
	Liability	15	5	10	-	-	-	-
OCEANE Swap instruments (see note 30.1)	Asset	4	-	4	-	-	-	-
	Liability	-	-	-	-	-	-	-
Amadeus shares derivative instruments	Asset	-	-	-	-	-	-	-
	Liability	14	-	14	-	-	-	-
Carbon credit derivative instruments	Asset	6	4	2	-	-	-	-
	Liability	-	-	-	-	-	-	-
Total	**Asset**	**199**	**121**	**77**	**-**	**1**	**-**	**-**
	Liability	**805**	**624**	**166**	**6**	**3**	**6**	**-**

As of December 31, 2013, the fair value of the Group's derivative instruments and their expected maturity are as follows:

In € millions		Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Commodities derivative instruments	Asset	143	113	30	-	-	-	-
	Liability	2	2	-	-	-	-	-
Interest rate derivative instruments	Asset	1	1	-	-	-	-	-
	Liability	24	-	6	8	3	1	6
Currency exchange derivative instruments	Asset	39	32	7	-	-	-	-
	Liability	70	48	21	1	-	-	-
OCEANE Swap instruments (see note 30.1)	Asset	-	-	-	-	-	-	-
	Liability	8	-	-	8	-	-	-
Amadeus shares derivative instruments	Asset	-	-	-	-	-	-	-
	Liability	108	-	72	36	-	-	-
Carbon credit derivative instruments	Asset	-	-	-	-	-	-	-
	Liability	-	-	-	-	-	-	-
Total	**Asset**	**183**	**146**	**37**	**-**	**-**	**-**	**-**
	Liability	**212**	**50**	**99**	**53**	**3**	**1**	**6**

32.2.1 Commodity risk linked to fuel prices

The Group's commitment on Brent, Diesel and Jet CIF are presented below, at their nominal value:

- **Year ended December 31, 2014**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)								
Swap	5	5	-	-	-	-	-	(3)
Options	1 427	1 425	2	-	-	-	-	(752)
Total	**1 432**	**1 430**	**2**	**-**	**-**	**-**	**-**	**(755)**

The fair value is highly negative since the option portfolio mainly comprises collar, strongly impacted by the decrease of the Brent price.

- **Year ended December 31, 2013**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)								
Swap	327	327	-	-	-	-	-	29
Options	2 887	1 968	919	-	-	-	-	112
Total	**3 214**	**2 295**	**919**	**-**	**-**	**-**	**-**	**141**

Fuel hedge sensitivity

The impact on "income before tax" and on "gains/(losses) taken to equity" of a variation in the fair value of the fuel hedges following a +/- USD 10 variation in the price of a barrel of Brent is as follows:

In € millions **As of December 31**	**2014**		**2013**	
	Increase of USD 10 per barrel of Brent	**Decrease of USD 10 per barrel of Brent**	**Increase of USD 10 per barrel of Brent**	**Decrease of USD 10 per barrel of Brent**
Income before tax	14	(16)	(37)	(115)
Gains / (losses) taken to equity	219	(209)	269	(90)

32.2.2 Exposure to interest rate risk

To manage the interest rate risk on its short and long-term borrowings, the Group uses instruments with the following nominal values:

- **Year ended December 31, 2014**

In € millions	**Nominal**	**Maturity below 1 year**	**Maturities between 1 and 5 years**					**Fair value**
			1-2 years	**2-3 years**	**3-4 years**	**4-5 years**	**+ 5 years**	
Interest rate risk (cash flow hedging operating flows)								
Swap	274	9	25	141	50	49	-	(15)
Options	240	80	30	130	-	-	-	(2)
Total	**514**	**89**	**55**	**271**	**50**	**49**	**-**	**(17)**

- **Year ended December 31, 2013**

In € millions	**Nominal**	**Maturity below 1 year**	**Maturities between 1 and 5 years**					**Fair value**
			1-2 years	**2-3 years**	**3-4 years**	**4-5 years**	**+ 5 years**	
Interest rate risk (cash flow hedging operating flows)								
Swap	385	18	38	158	60	55	55	(18)
Options	289	93	30	142	-	25	-	(5)
Total	**674**	**111**	**68**	**300**	**60**	**80**	**55**	**(23)**

Taking into account the hedging operations, the Group's exposure to interest rate risks breaks down as follows:

In € millions **As of December 31**	**2014**				**2013**			
	Before hedging		**After hedging**		**Before hedging**		**After hedging**	
	Base	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**
Fixed-rate financial assets and liabilities								
Fixed-rate financial assets	703	4.09%	703	4.17%	705	4.90%	705	4.90%
Fixed-rate financial liabilities	1 721	4.20%	1 746	3.92%	2 779	4.10%	2 933	3.96%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	802	0.80%	802	0.80%	926	0.67%	926	0.67%
Floating-rate financial liabilities	2 480	1.69%	2 456	1.96%	2 726	1.83%	2 572	2.11%
Without-rate financial assets	**1 486**	**-**	**1 486**	**-**	**2 096**	**-**	**2 096**	**-**
Without-rate financial liabilities	**14**	**-**	**14**	**-**	**6**	**-**	**6**	**-**

As of December 31, 2014 and December 31, 2013, without-rate financial assets mainly include cash and the revaluation of Amadeus shares at their fair value.

Interest rate sensitivity

The Group is exposed to the risk of interest rate variation. A 100 basis point variation (increase or decrease) in interest rates would have an impact of €7 million on the financial income for the year ended December 31, 2014 versus €6 million for the year ended December 31, 2013.

32.2.3 Exposure to exchange rate risk

The nominal amounts of futures and swaps linked to exchange rate are detailed below given the nature of the hedging operations:

- **Year ended December 31, 2014**

In € millions	**Nominal**	**Maturity below 1 year**	**Maturities between 1 and 5 years**					**Fair value**
			1-2 years	**2-3 years**	**3-4 years**	**4-5 years**	**+ 5 years**	
Exchange risk (cash flow hedging of operating flows)	**1 692**	**1 173**	**519**	**-**	**-**	**-**	**-**	**104**
Exchange rate options								
US Dollar	1 263	864	399	-	-	-	-	96
Yen	143	104	39	-	-	-	-	11
Pound sterling	204	128	76	-	-	-	-	(5)
Swiss franc	29	29	-	-	-	-	-	-
South Korea Won	24	22	2	-	-	-	-	(1)
Forward purchases								
US Dollar	29	26	3	-	-	-	-	3
Exchange risk (Fair value hedging of flight equipment acquisition)	**620**	**343**	**188**	**32**	**10**	**-**	**47**	**66**
Forward purchases								
US Dollar	620	343	188	32	10	-	47	66
Total	**2 312**	**1 516**	**707**	**32**	**10**	**-**	**47**	**170**

- **Year ended December 31, 2013**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)	**2 222**	**1 506**	**716**	**-**	**-**	**-**	**-**	**(16)**
Exchange rate options								
US Dollar	1 771	1 179	592	-	-	-	-	(50)
Yen	250	166	84	-	-	-	-	35
Pound sterling	140	105	35	-	-	-	-	(1)
Swiss franc	28	28	-	-	-	-	-	-
Forward purchases								
US Dollar	33	28	5	-	-	-	-	-
Exchange risk (Fair value hedging of flight equipment acquisition)	**574**	**292**	**227**	**43**	**2**	**10**	**-**	**(15)**
Forward purchases								
US Dollar	574	292	227	43	2	10	-	(15)
Total	**2 796**	**1 798**	**943**	**43**	**2**	**10**	**-**	**(31)**

Currency hedge sensitivity

The value in euros of the monetary assets and liabilities is presented below:

In € millions **As of December 31**	**Monetary assets**		**Monetary liabilities**	
	2014	**2013**	**2014**	**2013**
US dollar	127	100	253	268
Pound sterling	26	23	1	-
Yen	5	8	447	418
Swiss franc	6	11	-	-
Canadian dollar	4	4	-	1

The amounts of monetary assets and liabilities disclosed above do not include the effect of the revaluation of assets and liabilities documented in fair value hedge.

The impact on "income before tax" and on "gains/(losses) taken to equity" of a 10 per cent appreciation in the foreign currencies relative to the euro is presented below:

In € millions **As of December 31**	**US dollar**		**Pound sterling**		**Yen**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Income before tax	(21)	32	(8)	(8)	(52)	(43)
Gains / (losses) taken to equity	151	153	(6)	(4)	(10)	(19)

The impact of the change in fair value of currency derivatives on “income before tax” and on “gains/(losses) taken to equity” of a 10 per cent depreciation in foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound sterling		Yen	
As of December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income before tax	1	(104)	3	-	43	41
Gains / (losses) taken to equity	(93)	(90)	4	7	17	19

32.2.4 Carbon credit risk

As of December 31, 2014, the Group has hedged its future purchases of CO_2 quotas via forward purchase for a nominal of €21 million with a fair value of €6 million, versus a nominal of €14 million with a nil fair value as of December 31, 2013.

These contracts mostly expire within less than 2 years.

32.3. Market value of financial instruments

Market values are estimated for most of the Group’s financial instruments using a variety of valuation methods. However, the methods and assumptions used to provide the information set out below are theoretical in nature. They bear the following inherent limitations:
* Estimated market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates,
* Estimated amounts as of December 31, 2014 and December 31, 2013 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values.

The methods used are as follows:

** Cash, trade receivables, other receivables, short-term bank facilities, trade payables and other payables:*

The Group believes that, due to its short-term nature, net book value can be deemed a reasonable approximation of market value.

** Marketable securities, investments and other securities:*

The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Securities classified under “Assets available for sale” are recorded at their stock market value. Where no comparable exists, the Group uses their book value, which is deemed a reasonable approximation of market value in this instance.

** Borrowings, other financial debts and loans:*

The market value of fixed and floating-rate loans and financial debts is determined based on discounted future cash flows at market interest rates for instruments with similar features.

** Derivatives instruments:*

The market value of derivatives instruments corresponds to the amounts payable or receivable were the positions to be closed out as of December 31, 2014 and December 31, 2013 calculated using the year-end market rate.

Only financial assets and liabilities whose fair value differs from their net book value are presented in the following table:

In € millions **As of December 31**	2014 Net book value	2014 Estimated market value	2013 Net book value	2013 Estimated market value
Financial liabilities				
Bonds	419	447	1 160	1 171
OCEANE 2005	419	447	419	428
Bond 2006/2007	-	-	741	743
Other borrowings and financial debt	1 322	1 414	1 593	1 674

32.4. Valuation methods for financial assets and liabilities at their fair value

The breakdown of the Group's financial assets and liabilities is as follows based on the three classification levels (see note 4.10.7):

In € millions	Level 1		Level 2		Level 3		Total	
As of December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial assets available for sale								
Shares	676	1 094	17	13	-	-	**693**	**1 107**
Assets at fair value through profit and loss								
Marketable securities and cash secured	17	10	449	600	-	-	**466**	**610**
Cash equivalents	245	400	249	163	-	-	**494**	**563**
Derivatives instruments asset								
Interest rate derivatives	-	-	3	1	-	-	**3**	**1**
Currency exchange derivatives	-	-	185	39	-	-	**185**	**39**
Commodity derivatives	-	-	1	143	-	-	**1**	**143**
ETS Derivatives	-	-	6	-	-	-	**6**	**-**
Swap Océane Derivatives	-	-	4	-	-	-	**4**	**-**

Financial liabilities at fair value comprise the fair value of interest rate, foreign exchange, commodity derivative instruments and Amadeus shares derivatives These valuations are classified as level 2.

33 LEASE COMMITMENTS

33.1. Capital leases

The debt related to capital leases is presented in note 30.2.

33.2. Operating leases

The minimum future payments on operating leases are as follows:

In € millions	Minimum lease payments	
As of December 31	**2014**	**2013**
Flight equipment		
Due dates		
Y+1	655	600
Y+2	588	505
Y+3	539	414
Y+4	405	370
Y+5	318	257
Over 5 years	644	571
Total	**3 149**	**2 717**

In € millions	Minimum lease payments	
Buildings		
Due dates		
Y+1	163	177
Y+2	117	114
Y+3	92	101
Y+4	76	76
Y+5	60	65
Over 5 years	568	663
Total	**1 076**	**1 196**

The Group may sub-lease flight equipment and buildings. The revenue generated by this activity is not significant for the Group.

34 FLIGHT EQUIPMENT ORDERS

Due dates for commitments in respect of flight equipment orders are as follows:

In € millions **As of December 31**	**2014**	**2013**
Y+1	378	230
Y+2	525	279
Y+3	465	333
Y+4	826	288
Y+5	727	739
Over 5 years	1 849	2 495
Total	**4 770**	**4 364**

These commitments relate to US dollars amounts, converted into euros at the closing date exchange rate. Furthermore these amounts are hedged.

The number of aircraft under firm order as of December 31, 2014 increase by one unit compared with December 31, 2013 and stood at 42 aircraft.
The changes are explained by the delivery of one aircraft and the conversion of two options into a firm order over the period.

Long-haul fleet

Passenger

The Group took delivery of one Airbus A380, which was later sold into a sale and leaseback transaction.
Also, two Boeing 777 aircraft were converted into a firm order.
The group transferred one of these Boeing 777 firm orders to KLM and got from KLM a Boeing 787 firm order.

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The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in year	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger								
A380	As of December 31, 2014	-	-	-	2	-	-	**2**
	As of December 31, 2013	1	-	-	-	2	-	**3**
A350	As of December 31, 2014	-	-	-	2	4	12	**18**
	As of December 31, 2013	-	-	-	-	2	16	**18**
B787	As of December 31, 2014	-	-	4	2	2	5	**13**
	As of December 31, 2013	-	-	-	2	1	9	**12**
B777	As of December 31, 2014	2	3	-	-	-	-	**5**
	As of December 31, 2013	-	2	2	-	-	-	**4**
Medium-haul fleet								
A320	As of December 31, 2014	-	3	-	-	-	-	**3**
	As of December 31, 2013	-	-	3	-	-	-	**3**
Regional fleet								
CRJ 1000	As of December 31, 2014	1	-	-	-	-	-	**1**
	As of December 31, 2013	-	1	-	-	-	-	**1**

35 OTHER COMMITMENTS

35.1. Commitments made

In € millions **As of December 31**	**2014**	**2013**
Call on investment securities	4	3
Warranties, sureties and guarantees	1 987	1 840
Secured debts	3 214	3 628
Other purchase commitments	52	12

The restrictions and pledges as of December 31, 2014 are as follows:

In € millions	Starting date of pledge	End of pledge	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets			-	388	-
Tangible assets	1999 November	2027 September	3 897	6 773	57.5%
Other financial assets	1999 November	2027 September	1 571	1 817	86.5%
Total			**5 468**	**8 978**	

35.2. Commitments received

In € millions **As of December 31**	**2014**	**2013**
Warranties, sureties and guarantees	178	134

Warranties, sureties and guarantees principally comprise letters of credit from financial institutions.

36 RELATED PARTIES

36.1. Transactions with the principal executives

Directors and their relatives hold less than 0.05 % of the voting rights.

Benefits granted to executives' members are detailed as follows:

In € millions **As of December 31**	**2014**	**2013**
Short term benefits	4.0	4.8
Post employment benefits	0.5	(0.7)
Total	**4.5**	**4.1**

Directors' fees paid during the financial year ended December 31, 2014 for attendance of Board meetings during the financial year ended December 31, 2013, amounted to €0.2 million.

36.2. Transactions with other related parties

The total amounts of transactions with related parties are as follows:

In € millions **As of December 31**	**2014**	**2013**
Assets		
Net trade accounts receivable	106	124
Other current assets	11	14
Other non-current assets	8	7
Total	**125**	**145**
Liabilities		
Trade accounts payable	92	111
Other current liabilities	50	49
Other long-term liabilities	72	72
Total	**214**	**232**

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Net sales	221	231
Landing fees and other rents	(407)	(392)
Other selling expenses	(155)	(156)
Passenger service	(41)	(53)
Other	(30)	(42)
Total	**(412)**	**(412)**

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or "ADP") and the French civil aviation regulator ("DGAC"). Air France considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

Aéroports De Paris (ADP)

- Land and property rental agreements
- Airport and passenger-related fee arrangements.

In addition, ADP collects airport landing fees on behalf of the French State.

Total expenses incurred by the Group in connection with the above-mentioned arrangements amounted to a respective €368 million and €381 million for the periods ended December 31, 2014 and December 31, 2013.

Defense Ministry

Air France has entered into contracts with the French Defense Ministry concerning the maintenance of aircraft in the French Air Force. The net revenue derived from this activity amounts to €31 million for the year ended December 31, 2014 versus €42 million as of December 31, 2013.

Direction Générale de l'Aviation Civile (DGAC)

The civil aviation regulator is under the authority of the French Ministry of Transport, which manages security and safety in the French air space and at airport. As a result, the DGAC charges fees to Air France for the use of installations and services which amounts to €106 million as of December 31, 2014 versus €105 million for the year ended December 31, 2013.

Amadeus

For the year ended December 31, 2014, total transactions with Amadeus amounts to an expense of €130 million for the Group, compared with €132 million for the year ended December 31, 2013.

Transactions with equity affiliates

During the financial year, the Group executed transactions with equity affiliates. These transactions are not significant.

37 CONSOLIDATED STATEMENT OF CASH FLOW

37.1. Other non-monetary items and impairment

Other non-monetary items and impairment can be analyzed as follows:

In € millions **As of December 31**	*Notes*	**2014**	**2013**
Variation of provisions relating to restructuring plan		(171)	17
Variation of provisions relating to pension		54	52
Variation of provisions relating to goodwill	*17*	-	11
Impairment of Cityjet VLM Group	*14*	-	66
Depreciation of assets available for sale	*11*	7	82
Other		(34)	8
Total		**(144)**	**236**

37.2. Acquisition of subsidiaries, of shares in non-controlled entities

Net cash disbursements related to the acquisition of subsidiaries and investments in associates were as follows:

In € millions **As of December 31**	**2014**	**2013**
Cash disbursement for acquisitions	(27)	(29)
Cash from acquired subsidiaries	1	6
Net cash disbursement	**(26)**	**(23)**

During 2014, the Group acquired the Barfield company, based in the United States, and whose activity is maintenance (see note 5).

37.3. Disposal of subsidiaries, of shares in non-controlled entities

Net proceeds from the disposal of subsidiaries can be analyzed as follows:

In € millions **As of December 31**	**2014**	**2013**
Proceeds from disposals	354	38
Cash of disposed subsidiaries	-	(10)
Net proceeds from disposals	**354**	**28**

As of December 31, 2014, the proceeds from disposals essentially consist of the sale of Amadeus shares, as described in note 11.

37.4. Non cash transactions

During the financial year ended December 31, 2014, the Group entered into a non-monetary transaction on engines. The Group also concluded non-monetary financial leases. The total amount of the transaction is €36 million.

During the financial year ended December 31, 2013, the Group had renewed a lease contract for a car park with Aéroports de Paris. This contract was classified as a financial lease.
A lease contract on one A340 aircraft, classified as a financial lease in 2012, was also reclassified as an operational lease.

These operations have no impact on the cash flow statement.

38 FEES OF STATUTORY AUDITORS

In € millions	KPMG			
As of December 31	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	2.1	95%	2.0	87%
- Air France SA	*1.4*		*1.4*	
- Consolidated subsidiaries	*0.7*		*0.6*	
Other ancillary services and other audit services	-	0%	-	0%
- Air France SA	-		-	
- Consolidated subsidiaries	-		-	
Sub-total	**2.1**	**95%**	**2.0**	**87%**
Other services				
Legal, tax and corporate	0.1	5%	0.3	13%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Total Air France Group	**2.2**	**100%**	**2.3**	**100%**

In € millions	Deloitte & Associés			
As of December 31	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	2.1	100%	2.2	92%
- Air France SA	*1.4*		*1.4*	
- Consolidated subsidiaries	*0.7*		*0.8*	
Other ancillary services and other audit services	-	0%	0.1	4%
- Air France SA	-		-	
- Consolidated subsidiaries	-		*0.1*	
Sub-total	**2.1**	**100%**	**2.3**	**96%**
Other services				
Legal, tax and corporate	-	-	0.1	4%
Information technology	-	-	-	
Internal audit	-	-	-	
Total Air France Group	**2.1**	**100%**	**2.4**	**100%**

39 CONSOLIDATION SCOPE AS OF DECEMBER 31, 2014

The scope includes 98 fully-consolidated entities and 35 equity affiliates.

39.1. Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
AIR FRANCE GROUND HANDLING INDIA PVT LTD	India	Passenger	51	51
HOP ! AIRLINAIR	France	Passenger	100	100
BLUE LINK	France	Passenger	100	100
BLUE LINK INTERNATIONAL	France	Passenger	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Passenger	100	100
BLUELINK INTERNATIONAL CZ	Czech Rep.	Passenger	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Passenger	100	100
BLUE CONNECT	Mauritius	Passenger	70	70
HOP ! BRIT AIR	France	Passenger	100	100
CONSTELLATION FINANCE LIMITED	Ireland	Passenger	100	100
HOP	France	Passenger	100	100
HOP! TRAINING	France	Passenger	100	100
LYON MAINTENANCE	France	Passenger	100	100
HOP ! REGIONAL	France	Passenger	100	100
MEXICO CARGO HANDLING	Mexico	Cargo	100	100
SODEXI	France	Cargo	65	65
AEROMAINTENANCE GROUP	United States	Maintenance	100	100
AIR FRANCE INDUSTRIE US	United States	Maintenance	100	100
AIR FRANCE KLM COMPONENT SERVICES CO LTD	China	Maintenance	100	100
AIR ORIENT SERVICES	France	Maintenance	100	100
BARFIELD INC	United States	Maintenance	100	100
CRMA	France	Maintenance	100	100
ACNA	France	Other	98	100
ACSAIR	France	Other	50	51
SERVAIR FORMATION	France	Other	98	100
AFRIQUE CATERING	France	Other	50	51
AIDA	Mauritius	Other	77	77
AIR FRANCE FINANCE	France	Other	100	100
AIR FRANCE FINANCE IRELAND	Ireland	Other	100	100
AIR LOUNGES MANAGEMENT	United States	Other	98	100
CATERING FDF	France	Other	98	100
CATERING PTP	France	Other	98	100
DAKAR CATERING	Senegal	Other	64	65
EUROPEAN CATERING SERVICES	United States	Other	98	100
FONDEG CATERING CONGO	Congo	Other	50	51
GIE JEAN BART	France	Other	10	10

Entity	Country	Segment	Air France Group % interest	% control
GIE SERVCENTER	France	Other	98	100
GIE SURCOUF	France	Other	100	100
GUINEENNE DE SERVICES AEROPORTUAIRES S.A.	Guinea	Other	30	60
HORIZON CATERING	Mali	Other	70	100
LYON AIR TRAITEUR	France	Other	98	100
MALI CATERING	Mali	Other	70	99
MARTINIQUE CATERING	France	Other	91	93
MAURITANIA CATERING	Mauritania	Other	25	51
NAS AIRPORT SERVICES LIMITES	Kenya	Other	58	100
O'FIONNAGAIN HOLDING COMPANY LIMITED	Ireland	Other	100	100
ORLY AIR TRAITEUR	France	Other	98	100
SERVAIR BURKINA FASO	Burkina Faso	Other	84	86
PARIS AIR CATERING	France	Other	98	100
PASSERELLE CDG	France	Other	64	66
PELICAN	Luxembourg	Other	100	100
PMAIR	France	Other	50	51
PRESTAIR	France	Other	98	100
SENCA	Senegal	Other	32	51
SEREP	Senegal	Other	57	59
SERVAIR (Cie d'exploitation des services auxiliaires aériens)	France	Other	98	98
SERVAIR ABIDJAN	Ivory Coast	Other	84	86
SERVAIR BRASIL REFEICOES AEREAS E SERVICOS LTDA	Brasil	Other	50	100
SERVAIR CARAIBES	France	Other	98	98
SERVAIR GHANA	Ghana	Other	56	57
SERVAIR RETAIL FORT DE FRANCE	France	Other	50	51
SERVAIR SATS	Singapore	Other	50	51
SERVAIR SOLUTION ITALIA S.R.L.	Italy	Other	98	100
SERVANTAGE	France	Other	98	100
SERVASCO	Macao	Other	59	60
SERVAIR SOLUTIONS	France	Other	98	100
SERVAIR GABON	Gabon	Other	54	55
SERVLOGISTIC	France	Other	98	100
SHELTAIR	France	Other	50	51
SIA AFRIQUE	France	Other	98	98
SIA NWK HOLDING	France	Other	98	98
FFSI	France	Other	50	51
SIA KENYA HOLDING LIMITED	Kenya	Other	58	59
SKYCHEF	Seychelles	Other	54	55
SKYLOGISTIQUE AFRIQUE	France	Other	64	66
SERVAIR INVESTISSEMENTS AEROPORTUAIRES	France	Other	98	100
SOGRI	France	Other	95	97
SORI	France	Other	49	50
SVRL@LA REUNION	France	Other	49	50
TAKEOFF 1 LIMITED	Ireland	Other	100	100
TAKEOFF 2 LIMITED	Ireland	Other	100	100
TAKEOFF 3 LIMITED	Ireland	Other	100	100
TAKEOFF 4 LIMITED	Ireland	Other	100	100
TAKEOFF 5 LIMITED	Ireland	Other	100	100
TAKEOFF 6 LIMITED	Ireland	Other	100	100
TAKEOFF 7 LIMITED	Ireland	Other	100	100

Entity	Country	Segment	% interest	% control
		Air France Group		
TAKEOFF 8 LIMITED	Ireland	Other	100	100
TAKEOFF 9 LIMITED	Ireland	Other	100	100
TAKEOFF 10 LIMITED	Ireland	Other	100	100
TAKEOFF 11 LIMITED	Ireland	Other	100	100
TAKEOFF 12 LIMITED	Ireland	Other	100	100
TAKEOFF 13 LIMITED	Ireland	Other	100	100
TAKEOFF 14 LIMITED	Ireland	Other	100	100
TAKEOFF 15 LIMITED	Ireland	Other	100	100
TAKEOFF 16 LIMITED	Ireland	Other	100	100
TRANSAVIA FRANCE S.A.S.	France	Other	60	60
UILEAG HOLDING COMPANY LIMITED	Ireland	Other	100	100

39.2. Equity affiliates

Entity	Country	Segment	% interest	% control
AIR COTE D'IVOIRE	Ivory Coast	Passenger	20	20
AEROLIS	France	Passenger	50	50
HEATHROW CARGO HANDLING	United Kingdom	Cargo	50	50
SPAIRLINERS	Germany	Maintenance	50	50
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab Emirates	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
MAX MRO SERVICE	India	Maintenance	26	26
ATLAS AIR CATERING AIRLINES SERVICES	Morocco	Other	39	40
CITY LOUNGE SERVICES	France	Other	17	35
COTONOU CATERING	Benin	Other	24	49
DOUAL'AIR	Cameroun	Other	25	25
FLYING FOOD CATERING	United States	Other	48	49
FLYNG FOOD JFK	United States	Other	48	49
FLYING FOOD MIAMI	United States	Other	48	49
FLYING FOOD SAN FRANCISCO	United States	Other	48	49
FLYING FOOD SERVICES	United States	Other	48	49
FLYING FOOD SERVICES USA	United States	Other	49	49
GUANGZHOU NANLAND AIR CATERING	China	Other	24	25
GUEST LOUNGE SERVICES	France	Other	17	35
DUTYFLY SOLUTIONS	France	Other	49	50
DUTYFLY SOLUTIONS SPAIN	Spain	Other	49	50
DUTYFLY SOLUTIONS ITALY	Italy	Other	49	50
LOME CATERING SA	Togo	Other	17	35
MACAU CATERING SERVICES	Macao	Other	17	34
NEWREST SERVAIR BELGIUM	Belgium	Other	49	50
NEWREST SERVAIR CHILE	Chile	Other	34	35

			Air France Group	
NEWREST SERVAIR LCY UK LTD	United Kingdom	Other	39	40
OVID	France	Other	32	33
PRIORIS	France	Other	33	34
SERVAIR CONGO	Congo	Other	49	50
SERVICHEF	France	Other	44	45
SIA MOROCCO INVEST	Morocco	Other	50	51
TERMINAL ONE GROUP ASSOCIATION	United States	Other	25	25
COBALT GROUNG SOLUTIONS LIMITED	United Kingdom	Passenger	40	40

APPENDIX C
GLOSSARY OF TERMS

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GLOSSARY OF TERMS

The following are definitions of certain terms, unless the context shall otherwise require, used in the Indenture, the Loan Agreement and/or this Official Statement.

"**Accounts**" or "**Subaccounts**" means those accounts or subaccounts established pursuant to the Indenture or any Supplemental Indenture.

"**Act**" means the New York Not-for-Profit Corporation Law, being Chapter 35 of the Consolidated Laws of New York, the Issuer being created by action of the New York Job Development Authority established under Section 1802, Subtitle I, Title 8, Article 8, of the New York Public Authorities Law, as each may be amended from time to time.

"**Affiliate**" means a Person which is directly or indirectly controlled by the Borrower, by any other Affiliate or by any Person which directly or indirectly controls the Borrower, or which directly or indirectly controls any other Affiliate. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing body.

"**Authorized Borrower Representative**" means any one of the persons at the time designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such persons and signed on behalf of the Borrower.

"**Authorized Denominations**" means $5,000 and any integral multiple thereof.

"**Authorized Issuer Representative**" means the Chairperson, Chief Financial officer, President, Vice President or Treasurer of the Issuer.

"**Beneficial Owner**" means, so long as the Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry System, Beneficial Owner shall mean "Owner" for purposes of the Indenture.

"**Bond Counsel**" means Winston & Strawn LLP and the Hardwick Law Firm, LLC or any other nationally recognized bond counsel selected by or acceptable to the Issuer and the Borrower.

"**Bond Fund**" means the Bond Fund, including the Principal Account, the Interest Account, the Redemption Account and the Sinking Fund Requirement Account therein, and any Subaccounts of any such Accounts, created pursuant to the Indenture.

"**Bond Register**" means the books maintained and kept by the Bond Registrar for registration and transfer of Bonds pursuant to the Indenture.

"**Bond Year**" means a twelve-month period commencing on the first day of December of any year and ending on the last day of November of the following year.

"**Bondholder**" or "**Holder**" or "**Owner**" of the Bonds means the registered owner of any Bond.

"**Bonds**" means the Series 2015 Bonds and any Refunding Bonds.

"**Book-Entry System**" means the system maintained by the Securities Depository described in the Indenture.

"**Borrower**" means Terminal One Group Association, L.P., a New York limited partnership, and its permitted successors and assigns under the Loan Agreement.

"**Business Day**" means any day other than (i) a Saturday or Sunday or (ii) a day on which the New York Stock Exchange is closed or (iii) a day on which the Trustee or the Paying Agent is required or authorized to be closed or (iv) a day on which banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York, New York.

"**Carrier**" means each of Société Air France, Japan Airlines Company, Ltd., Korean Air Lines Co., Ltd. and Deutsche Lufthansa Aktiengesellschaft.

"**City**" means The City of New York.

"**Code**" means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder that are applicable to the Tax-Exempt Bonds, including, without limitation, any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended, including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended.

"**Cost Sharing Agreement**" means the Cost Sharing Agreement, dated the Issue Date, by and among the Borrower and the Carriers, as the same may be amended or supplemented from time to time in accordance therewith.

"**Counsel**" means an attorney or firm of attorneys, acceptable to the Trustee and the Issuer, of counsel who may (except as otherwise expressly provided in the Loan Agreement or any other Security Document) be counsel for the Borrower or the Issuer.

"**Defaulted Interest**" means interest on any Bond that is due and payable but not paid on the date due in accordance with the Indenture.

"Defeasance Obligations" Government Obligations that are not subject to redemption (other than at the option of the holder thereof) prior to the date or dates on which the proceeds thereof are required pursuant to the terms of the Indenture.

"**DTC**" means The Depository Trust Company, as securities depository.

"**Electronic Means**" means telecopy, facsimile transmission, e-mail transmission containing a PDF copy of the signature of the party delivering the communication, or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other Electronic Means.

"**Eligible Investments**" shall have the meaning set forth on Exhibit B to the Indenture.

"**Eminent Domain**" means the taking of title to, or the temporary use of, the Facilities or any part thereof pursuant to eminent domain or condemnation proceedings, or by any settlement or

compromise of such proceedings, or any voluntary conveyance of the Facilities or any part thereof during the pendency of, or as a result of a threat of, such proceedings.

"**Event of Default**" means (i) with respect to the Indenture, those defaults specified as such in Section 8.01 of the Indenture, and (ii) with respect to the Loan Agreement, those defaults specified as such in Section 10.1 of the Loan Agreement.

"**Facility**" means an approximately 600,000-square foot, single concourse terminal and the related machinery and equipment used and managed by the Borrower as a passenger facility located at the site of Building 55 at John F. Kennedy International Airport, Queens, New York.

"**Favorable Opinion of Bond Counsel**" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel to the effect that such action is permitted under the Act and the Indenture and, with respect to any action relating to a Series of Tax-Exempt Bonds, will not impair the exclusion of interest on the Series of Tax-Exempt Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the Opinion of Bond Counsel delivered upon original issuance of such Series of Tax-Exempt Bonds).

"**Fitch**" means Fitch, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Borrower.

"**Funds**" means the Project Fund, the Bond Fund and the Rebate Fund, all as established and created under the Indenture, and, if required, any accounts or subaccounts therein.

"**Governing Body**" means the Board of Directors of the Issuer in which the general corporate powers of the Issuer are vested.

"**Government Obligations**" means the obligations described in I(i) and (ii) of the definition of "Eligible Investments" and obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

"**Indenture**" means the Indenture of Trust, dated as of December 1, 2015, by and between the Issuer and the Trustee, as the same may be amended or supplemented from time to time in accordance therewith and in accordance with the Loan Agreement.

"**Interest Account**" means the Interest Account in the Bond Fund created under the Indenture.

"**Interest Accrual Period**" means the period during which a Bond of a Series accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid or duly provided for (or, if no interest has been paid, from the date of original authentication and delivery of such Series of Bonds) to, but not including, the Interest Payment Date on which interest is to be paid.

"**Interest Payment Date**" means each January 1 and July 1 (commencing July 1, 2016).

"**Issue Date**" means, with respect to a Series of Bonds, the date of delivery of such Series of Bonds by the Trustee, against payment therefor.

"**Issuer**" means the New York Transportation Development Corporation, a local development corporation formed under the Act, and its successors.

"**Issuer's Reserved Rights**" shall have the meaning set forth in Section 9.2 of the Loan Agreement.

"**Legal Requirements**" means the constitutions of the United States and of the State, and (without duplication) all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements (including but not limited to zoning, land use, planning, building, environmental protection, sanitary, safety, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (i) the Borrower, (ii) the Facility or any part thereof or (iii) any use or condition of the Facility or any part thereof.

"**Loan Agreement**" means the Loan Agreement, dated as of December 1, 2015, by and between the Issuer and the Borrower, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the provisions of the Indenture.

"**Maturity Dates**" means the dates on which the Bonds mature, as determined pursuant to the Indenture.

"**Moody's**" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Borrower.

"**Net Condemnation Proceeds**" means, as determined by an Authorized Borrower Representative, the proceeds of any condemnation award due to the taking or the condemnation by a competent authority for any public use or purpose of title to, or the temporary use of, the Facility or any portion thereof.

"**Net Insurance Proceeds**" means, as determined by an Authorized Borrower Representative, the proceeds of insurance remaining following the repair, reconstruction, restoration or improvement of the Facility following damage or destruction to the Facility caused by fire, flood, windstorm or other casualty.

"**Note**" means the Promissory Note in substantially the form attached as Exhibit B to the Loan Agreement and shall include any and all amendments thereof and supplements thereto made in conformity with the Loan Agreement and the Indenture.

"**Notice Address**" means, as to each Notice Party, the address for such Notice Party set forth in the Indenture.

"**Notice Parties**" means the Issuer, the Trustee, the Paying Agent and the Borrower.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"**Opinion of Counsel**" means a written opinion of Counsel.

"**Outstanding**" means, as of any particular time, all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation after purchase in the open market or because of payment at prior redemption or maturity;

(b) any Bonds for the payment or redemption of which cash funds or Defeasance Obligations, to the extent described in Section 7.01 of the Indenture, shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or Redemption Date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, irrevocable notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or irrevocable waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

(c) Bonds paid pursuant to Section 2.07 of the Indenture or Bonds in lieu of which other Bonds have been authenticated under Sections 2.06 or 2.07 of the Indenture.

"**Owners**" means the Persons that own or hold, directly or indirectly, ten percent or more of the ownership and/or controlling interests of the Borrower, but shall not include the shareholders of a publicly-held person.

"**Participant**" means a member of or a participant in the Securities Depository.

"**Paying Agent**" means the Trustee or any other bank or trust company designated by the Issuer as Paying Agent pursuant to the Indenture.

"**Person**" means an individual, association, unincorporated organization, corporation, partnership, limited liability company, joint venture, business trust or a government or agency or a political subdivision thereof or other entity or organization.

"**Pledged Funds**" means, collectively, the Bond Fund (including the accounts and subaccounts therein) and any other funds or accounts permitted by, established under, or identified in the Indenture (except the Rebate Fund) as pledged to the payment of principal of and interest on Bonds.

"Principal Account" means the Principal Account in the Bond Fund created under the Indenture.

"**Principal Office**" means, with respect to the Trustee, the address of such Person identified as its Notice Address in the Indenture or otherwise notified in writing by such Person to the other Notice Parties.

"**Principal Payment Date**" means any date upon which the principal amount of Bonds is due under the Indenture, including the date for any sinking fund installment, the Maturity Dates, any Redemption Date, or the date the maturity of any Bond is accelerated pursuant to the terms of the Indenture or otherwise.

"**Principals**" means any officers, directors, partners, members and employees who are chiefly responsible for the management and/or oversight of the operations and activities of the Borrower.

"**Prior Bonds**" means the New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (Terminal One Group Association, L.P. Project) issued in the original aggregate principal amount of $387,740,000 on December 6, 2005 pursuant to the Indenture of Trust dated as of May 1, 1994 by and between the New York City Industrial Development Agency and The Bank of New York Mellon, as trustee, as supplemented by the First Supplemental Indenture dated as of May 1, 1994, the Second Supplemental Indenture dated as of November 15, 1995 and the Third Supplemental Indenture dated as of November 1, 2005.

"**Proceeds**" means the proceeds from the sale of the Series 2009 Bonds that are transferred to the Project Fund under and in accordance with the Indenture.

"**Prohibited Person**" means (i) any Person (A) that is in material default or in material breach, beyond any applicable grace period, of its obligations under any written agreement with the Issuer, the City, the State, any of their respective instrumentalities, or any other New York local development corporation, or (B) that has an Affiliate that is in material default or in material breach, beyond any applicable grace period, of its obligations under any written agreement with the Issuer, the City, the State, any of their respective instrumentalities, or any other New York local development corporation, unless, as to clause (i)(A) or (B), such default or breach relates to the Loan Agreement or has been waived in writing by the Issuer, the City, the State, any of their respective instrumentalities, or any other New York local development corporation, as the case may be, or such default is not the subject of any enforcement action or proceeding on the part of the obligee; or (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude, or (B) that has an Affiliate that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude, as defined under New York law, unless, as to clause (ii)(A) or (B), the Issuer has agreed in writing that such conviction shall not cause such Person to be a Prohibited Person.

"**Project**" means the Project described in Exhibit A to the Loan Agreement, as the same may be amended or revised from time to time.

"**Project Cost(s)**" means

(i) all costs of effecting the redemption in whole of the Prior Bonds; and

(ii) the payment of the costs of issuance with respect to the Series 2015 Bonds.

"**Project Fund**" means the Project Fund created under the Indenture.

"**Rating Agencies**" means Moody's, S&P and Fitch if then providing a rating on a Series of Bonds.

"**Rating Category**" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"Rating Confirmation" means written evidence from each Rating Agency then rating a Series of Bonds that no rating assigned to such Series of Bonds or any portion thereof by such Rating Agency, if any, will be withdrawn or reduced below the rating on such Series of Bonds as a result of the action under review.

"**Rebate Fund**" means the Rebate Fund created under the Indenture.

“**Record Date**” means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“**Redemption Date**” means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

“**Redemption Account**” means the Redemption Account of the Bond Fund created under the Indenture.

“**Redemption Price**” means an amount equal to the principal of and redemption premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

“**S&P**” means Standard & Poor’s Ratings Services, a division of McGraw-Hill, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Borrower.

“**Securities Depository**” means The Depository Trust Company and its successors and assigns or, if the then Securities Depository resigns from its functions as depository of the Bonds or is no longer able to act in such capacity, or is replaced by the Borrower pursuant to the Indenture, any other securities depository that agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and that is selected by the Borrower with notice to the other Notice Parties.

“**Securities Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Security Documents**” means, collectively, the Indenture, the Note, the Tax Certificate, the Loan Agreement, the Site Lease, the Use Agreements and the Cost Sharing Agreement.

“**Series**” or “**Series of Bonds**” means all of the Bonds designated as being of the same Series authenticated and delivered on the date of the original issuance thereof in a simultaneous transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

“**Series 2015 Bonds**” means the $167,260,000 aggregate principal amount of New York Transportation Development Corporation Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project), issued, executed, authenticated and delivered under this Indenture.

“**Sinking Fund Requirement**” means the principal amount of Bonds subject to mandatory redemption in accordance with any Supplemental Indenture.

“**Sinking Fund Requirement Account**” means the Sinking Fund Account in the Bond Fund created under the Indenture.

“**Site Lease**” means the Agreement of Lease (Lease No. AYC-190), dated July 13, 1994, by and between the Port Authority and the Borrower, as amended to the date of issuance of the Series 2015 Bonds.

“**Special Record Date**” means a special date fixed by the Trustee to determine the names and addresses of Holders of the Bonds for purposes of paying interest on a special interest payment date for the payment of Defaulted Interest.

“**State**” means the State of New York.

“**Supplemental Indenture**” means any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with Article X of the Indenture.

“**Tax Certificate**” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Code, dated the date of issuance of the Series 2015 Bonds, executed by the Issuer and the Borrower, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

“**Tax-Exempt Bonds**” means the Series 2015 Bonds and any other Series of Bonds the interest on which is not includible in gross income for federal income tax purposes pursuant to section 103 of the Code.

“**Trust Estate**” means the property pledged, assigned or mortgaged to the Trustee pursuant to the granting clauses of the Indenture.

“**Trustee**” means The Bank of New York Mellon, a banking corporation duly organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the State of New York, as trustee under the Indenture, and any subsequent successor as provided in Section 9.08 of the Indenture.

“**Underwriters**” means, in the case of the Series 2015 Bonds, Citigroup Global Markets Inc., as representative of itself and the other underwriters of the Series 2015 Bonds and, in the case of any other Series of Bonds, that Person so designated in the Supplemental Indenture authorizing such Series of Bonds.

Unless otherwise provided herein, all references to a particular time are to New York City time.

APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete and reference is made to the Indenture for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Indenture and are included for ease of reference only.

Bonds Secured Equally and Ratably

Except as otherwise expressly provided by the Indenture (including, without limitation, the Granting Clauses of the Indenture), each Series of Bonds issued under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority or distinction on account of the date or dates or the actual time or times of the issue or maturity of such Series of Bonds, so that each Series of Bonds at any time issued and Outstanding under the Indenture shall have the same right, lien and preference under and by virtue of the Indenture, and shall all be equally and ratably secured by the Indenture. (*Section 2.02*)

Book-Entry Only

Except as otherwise provided in the Indenture, each maturity of any Series of Bonds shall be issued in the form of one typewritten Bond for each principal amount increment of $500,000,000 and for any remaining principal amount of such maturity in the aggregate principal amount of each such maturity. Each Bond shall be registered in the name of the Securities Depository or its nominee, and beneficial ownership interests thereof shall be maintained in book-entry form by the Securities Depository for the account of the Participants. Initially, each Bond shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company. Except as provided in the Indenture, the Bonds of a Series may be transferred in whole, but not in part, only to the Securities Depository or a nominee of the Securities Depository or to a successor Securities Depository (or to a nominee of such successor Securities Depository) selected by the Borrower with prior written notice to the Issuer and the Trustee. Each Bond certificate shall bear a legend in the form set forth in the Indenture. (*Section 2.04(a)*)

Refunding Bonds

In addition to the Series 2015 Bonds, one or more series of bonds may be authenticated and delivered to refund ("Refunding Bonds") any Outstanding Bonds in whole or in part. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this Indenture. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of (in addition to the receipt by it of the documents required by Section 2.08 of the Indenture.

Refunding Bonds shall be equally and ratably secured under this Indenture with all other Outstanding Bonds theretofore or thereafter issued under the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

Notwithstanding anything in the Indenture to the contrary, no Series of Refunding Bonds shall be issued unless the Loan Agreement and the Note are in effect and at the time of issuance there is no Event of Default, nor any event which, upon notice or lapse of time or both, would become an Event of Default. (*Section 2.13*)

Denominations

The Bonds shall be issued in the form of fully registered Bonds in Authorized Denominations. The principal and Redemption Price, if any, of and interest on the Bonds shall be payable in lawful money of the United States of America. (*Section 2.16*)

Pledge of Trust Estate

The pledge made by the Indenture shall be valid and binding from and after the time of the delivery by the Trustee of the first Bonds authenticated and delivered under the Indenture. The security so pledged and then or thereafter received by the Issuer shall immediately be subject to the lien of such pledge, the obligation to perform the contractual provisions by the Indenture made, shall, with respect to the Trust Estate, have priority over any or all other obligations and liabilities of the Issuer and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof. (*Section 4.02*)

Creation of Funds and Accounts

The Issuer establishes and creates the following Funds and Accounts comprising such Funds:

(i) Project Fund

(ii) Bond Fund

  (A) Interest Account

  (B) Redemption Account

  (C) Sinking Fund Requirement Account

  (D) Principal Account

(iii) Rebate Fund

The moneys in each of said Funds and the Accounts therein shall be held in trust and applied as hereinafter provided with regard to each such Fund or Account therein and, pending such application, shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under the Indenture and for the further security of such Holders until paid out or transferred as provided in the Indenture, subject, however, in each case, to the Granting Clauses of the Indenture. Each Fund shall be held by the Trustee.

The Issuer covenants that it will pay or cause to be paid to the Trustee for deposit, as provided in the Indenture, any payments received under the Loan Agreement and the Note for the payment of principal of or redemption premium, if any, or interest on the Bonds, and all other moneys required or permitted to be deposited in the Bond Fund and the other Funds and Accounts or Subaccounts pursuant to the Indenture and the Trustee shall promptly upon the receipt thereof deposit such money, commencing on the following dates, to the credit of the following Funds and Accounts or Subaccounts therein in the following order and amount, subject to credits as provided in the Indenture:

FIRST - on each Interest Payment Date, an amount to be deposited into the Interest Account of the Bond Fund for the payment on a pro rata basis of interest on all Series of Bonds bearing interest payable on such Interest Payment Date; provided, however, that no such amount shall be required to be deposited into the Interest Account to the extent that the amount on deposit in such Account shall be sufficient to pay interest on all Series of Bonds on such Interest Payment Date;

SECOND - on each Redemption Date corresponding to a Sinking Fund Requirement, an amount to be deposited into the Sinking Fund Requirement Account of the Bond Fund for the payment on a pro rata basis of the Redemption Price payable in satisfaction of the corresponding Sinking Fund Requirements on all Series of Bonds payable on such Redemption Date; provided, however, that no such amount shall be required to be deposited into the Sinking Fund Requirement Account to the extent that the amount on deposit in such Account shall be sufficient to pay the Sinking Fund Requirements on all Series of Bonds on such Redemption Date;

THIRD - on each Principal Payment Date, an amount to be deposited into the Principal Account of the Bond Fund for the payment on a pro rata basis of principal on all Series of Bonds payable on such Principal Payment Date; provided, however, that no such amount shall be required to be deposited into the Principal Account to the extent that the amount on deposit in such Account shall be sufficient to pay principal on all Series of Bonds on such Principal Payment Date; and

FOURTH - on each other Redemption Date, an amount to be deposited into the Redemption Account of the Bond Fund for the payment on a pro rata basis of the Redemption Price on all Series of Bonds to be redeemed on such Redemption Date; provided, however, that no such amount shall be required to be deposited into the Redemption Account to the extent that the amount on deposit in such Account shall be sufficient to pay the Redemption Price on all Series Bonds on such Redemption Date.

To the extent that investment earnings or transfers from other Funds, Accounts or Subaccounts are credited to an Account or Subaccount in accordance with the Indenture, deposits to be made to such Accounts or Subaccounts shall be reduced by the amount so credited. (*Section 4.03*)

Application of Bond Fund

Subject to the provisions of the Indenture,

(i) the Trustee shall on each Interest Payment Date pay or cause to be paid to the respective Paying Agents therefor out of the Interest Account of the Bond Fund, in immediately available funds, any amounts required for the payment of accrued interest on such Interest Payment Date;

(ii) the Trustee shall on each Principal Payment Date pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, in immediately available funds, the principal amount, if any, due on the Bonds (other than as shall be due by mandatory sinking fund installment redemption, if any), upon the presentation and surrender of the requisite Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Bonds); and

(iii) there shall be paid from the Sinking Fund Requirement Account of the Bond Fund to the respective Paying Agents therefor on each sinking fund Redemption Date in immediately available funds the amounts required in satisfaction of the Sinking Fund Requirements due and payable, if any, (accrued interest being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the redemption of Bonds in satisfaction of the applicable Sinking Fund Requirement. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds for which Sinking Fund Requirements are applicable in a principal amount equal to the Sinking Fund Requirement then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Sinking Fund Requirement Account of the Bond Fund.

Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents therefor on or before each other Redemption Date and applied by them on such Redemption Date to the payment of the Redemption Price of the Bonds being redeemed plus interest on such Bonds accrued to the Redemption Date (accrued interest being payable from the Interest Account of the Bond Fund). (*Section 4.04*)

Pledged Funds Pledged for Payments

Subject to the terms and conditions of the Indenture, moneys held for the credit of the Bond Fund shall be held in trust and disbursed by the Trustee for (a) the payment of interest upon the Bonds as such interest falls due or (b) the payment of the principal of the Bonds at their respective maturities whether at the stated payment date or by redemption. Subject to the terms and conditions set forth in the Indenture, moneys held to the credit of the Pledged Funds are pledged to and charged with the payments mentioned in this paragraph. (*Section 4.05*)

Additional Accounts and Subaccounts

The Trustee shall, at the written request of the Borrower, establish such additional accounts within any of the Funds established under the Indenture, and subaccounts within any of the accounts established pursuant to the Indenture; but the establishment of any such additional accounts or subaccounts shall not alter or modify any of the requirements of the Indenture with respect to the deposit or use of the moneys in any Fund established under the Indenture. (*Section 4.09*)

Rebate Fund

The Trustee is authorized and directed to establish a Rebate Fund into which the Trustee shall deposit amounts as provided by the Indenture. The Rebate Fund shall be held by the Trustee separate and apart from all other Funds and Accounts held under the Indenture and from all other moneys of the Trustee. Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien created by the Indenture.

Pursuant to the Loan Agreement, the Borrower has agreed to pay or provide the Trustee with funds sufficient to pay the amounts (if any) payable pursuant to Section 148(f) of the Code with respect to the Tax-Exempt Bonds. Amounts received from the Borrower pursuant to the Loan Agreement shall be deposited in the Rebate Fund and paid by the Trustee, upon the written instruction of the Borrower, to the United States government not later than 60 days after the computation date to which such payment relates. Any excess moneys (including investment income) in the Rebate Fund after any such payment is made shall be paid over to the Borrower at its written request. (*Section 4.11*)

No Creation of Pecuniary Liability

Each and every covenant made in the Indenture is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall not create a debt of the State, and the State shall not be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor but shall be payable by the Issuer solely from the Trust Estate including the payments made by the Borrower under the Loan Agreement and the Note, and the revenues and receipts pledged to the payment thereof in the manner and to the extent in the Indenture specified, and nothing in the Bonds, in the Loan Agreement, in the Note, in the Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Issuer. (*Section 5.01*)

Payment of Principal and Interest

The Issuer covenants that it will from the sources contemplated in the Indenture promptly pay or cause to be paid the principal of and redemption premium, if any, and interest on the Bonds, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of or redemption premium, if any, or interest on the

Bonds or for any claim based thereon or under the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds. None of the Bonds, the principal thereof and the interest or redemption premium thereon shall ever constitute a debt of the State, the New York Job Development Authority, the New York State Urban Development Corporation (d/b/a Empire State Development) or any other local development corporation, agency or authority of the State (other than the Issuer) and neither the State nor any such other entity shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. The Issuer shall not be required under the Indenture or the Loan Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the loan payments, revenues and receipts pledged to the payment of the Bonds, and (iii) any income or gains therefrom. (*Section 5.02*)

Issuer Tax Covenant

The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Borrower or the Trustee that would cause the interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes; provided, however, that the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance. (*Section 5.10*)

Investment of Pledged Funds

To the extent practicable and subject to the terms and conditions of the Indenture, money held for the credit of the Project Funds, the Bond Fund or the Rebate Fund (collectively referred to in this subsection as the "Article VI Funds") shall be continuously invested and reinvested by the Trustee only in Eligible Investments. Any such investments shall mature not later than the respective dates when the money held for the credit of the particular Article VI Fund will be required for the purposes intended for such Fund. Except for any moneys in the Rebate Fund, no Eligible Investments may mature beyond the latest maturity date of any Bonds Outstanding at the time such Eligible Investments are deposited. The Borrower shall give to the Trustee specific written directions respecting the investment of any money in the Article VI Funds, and the Trustee shall invest such money under this subsection as so directed by the Borrower, subject to the Indenture.

Eligible Investments credited to an Article VI Fund shall be held by or under the control of the Trustee and, while so held, shall be deemed at all times to be part of such Fund, Account or Subaccount in which such money was originally held. Net income or gain received and collected from such investments shall be credited and losses charged to the Article VI Fund, Account or Subaccount therein from which such investment shall have been made. The Trustee shall sell at the best price obtainable by it or present for redemption any obligations so purchased whenever directed in writing by the Borrower in order to provide money to make any payment or transfer of money from any such Fund, Account or Subaccount therein.

The Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation of an investment of moneys held in the Article VI Funds. (*Section 6.01*)

Discharge of the Indenture and Defeasance

If, when the Bonds secured by the Indenture shall be paid in accordance with their terms (or payment of the Bonds has been provided for in the manner set forth in the following paragraph), and the fees and expenses of the Trustee and the Issuer due in connection with the payment of the Bonds and all other sums payable under the Indenture shall have been paid or provided for in accordance with the provisions of the Indenture, then the Indenture and the Trust Estate and all rights granted under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the written request of the Issuer, the Trustee shall execute such documents as may be reasonably required to evidence the discharge of the Indenture and shall turn over any surplus in any Fund as the Authorized Borrower Representative shall direct in writing, except as otherwise provided in the Indenture.

Payment of any Outstanding Bond (or portion thereof) shall, prior to the maturity or redemption date thereof, be deemed to have been provided for within the meaning and with the effect expressed in this sub-heading if (i) in the case said Bond (or portion) is to be redeemed on any date prior to its maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of said Bonds in accordance with the Indenture, (ii) there shall have been irrevocably deposited with the Trustee in trust either cash in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the cash, if any, deposited with or held by the Trustee, at the same time, shall be sufficient to pay when due the principal of and redemption premium, if any, and interest due and to become due on said Bond (or portion) on and prior to the Redemption Date or Maturity Date thereof, as the case may be, (iii) there shall have been filed with the Trustee and the Issuer, (x) a report of a firm of nationally recognized independent certified public accountants, acceptable to the Trustee and the Issuer, confirming the arithmetical accuracy of the computations showing the cash or Defeasance Obligations, the principal of and interest on which when due, without reinvestment, together with cash, if any, deposited at the same time will be sufficient to pay when due, the principal and redemption premium, if any, and interest due or to become due on such Bond (or portion), on and prior to the Redemption Date or Maturity Date thereof, as the case may be and (y) a Favorable Opinion of Bond Counsel, acceptable to the Trustee and the Issuer, to the further effect that upon provision for the payment of the principal of and redemption premium, if any, and interest due or to become due on such Bond (or portion), the pledge of moneys and securities under the Indenture and the grant of all rights to the Owners of such Bond (or portion) under the Indenture shall be discharged and satisfied, and (iv) the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee, and that, with respect to such Bonds, the pledge of the Indenture has been released and discharged, except as otherwise provided in the Indenture, and that payment of said Bond (or portion) has been provided for in accordance with the Indenture and stating such Maturity Date or Redemption Date upon which moneys are to be available for the payment of the principal of and redemption premium, if any, and interest on said Bond (or portion). At such time as payment of any Bond (or portion) has been provided for as aforesaid, such Bond (or portion) shall no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of any payment from such moneys or securities deposited with the Trustee.

The release of the obligations of the Issuer under the Indenture shall be without prejudice to the right of the Trustee to be paid by the Borrower compensation for all services rendered by it under the Indenture and all its expenses, charges and other disbursements incurred on or about the administration of the trust created by the Indenture and the performance of its powers and duties under the Indenture. (*Section 7.01*)

Events of Default

Each of the following shall be deemed an "Event of Default":

(a) Default in the payment of the principal of or redemption premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, or through failure to satisfy any Sinking Fund Requirement, or upon redemption or otherwise;

(b) Default in the payment of any interest on any Bond when the same shall become due and payable;

(c) Default shall be made in the observance or performance of any other covenant, agreement or other provision in the Bonds or the Indenture and such default shall continue for a period of thirty (30) days after written notice to the Issuer, the Borrower and the Trustee from the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding or from the Trustee specifying such default and requiring the same to be remedied, provided, with respect to any such failure covered by this subsection (d), no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such thirty (30) day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby; or

(d) The occurrence of an "Event of Default" under the Loan Agreement.

The Trustee shall, within thirty (30) days of the occurrence of an Event of Default or of any event of which the Trustee is required to take notice and which would result in an Event of Default with the passage of time or the giving of notice, notify the Issuer, the Borrower and all Bondholders of the occurrence of such Event of Default or such other event. (*Section 8.01*)

Remedies on Events of Default

Upon the occurrence of an Event of Default, the Trustee shall have the following rights and remedies:

(a) Legal Proceedings. The Trustee may, at the written direction of the Holders of a majority in aggregate principal amount of Bonds Outstanding, (1) bring such suits, actions or proceedings at law or in equity enforce the rights of the Bondholders, and require the Issuer or the Borrower or either or both of them to carry out the agreements with or for the benefit of the Bondholders, and to perform its or their duties, under the Indenture and the other Security Documents, or (2) by written notice to the Issuer and the Borrower, declare the principal of the Bonds to be immediately due and payable, whereupon the principal of the Bonds and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. The

Trustee may also, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) Suit for Judgment on the Bonds. The Trustee shall be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of the Indenture, for the enforcement of any of its rights, or the rights of the Bondholders under the Indenture, but any such judgment against the Issuer shall be enforceable only against the Trust Estate. No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of the Indenture or any rights, powers or remedies of the Trustee under the Indenture, or any lien, rights, powers or remedies of the Owners of the Bonds, but such lien, rights, powers and remedies of the Trustee and of the Bondholders shall continue unimpaired as before.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other right or remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

If any Event of Default shall have occurred and if requested by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and the Trustee is indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

(c) Cure Rights of Borrower. Pursuant to the Loan Agreement, the Issuer has granted to the Borrower full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Borrower to constitute a default under the Indenture, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Borrower as performance by the Issuer. (*Section 8.02*)

Majority Bondholders May Control Proceedings

The Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the Indenture. The Trustee shall not be required to act on any direction given to it unless indemnified as provided in the Indenture. (*Section 8.03*)

Rights and Remedies of Bondholders

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for the appointment of a receiver or any other remedy, unless a default has occurred of which the Trustee has notice, or unless such default shall have become an Event of Default and the Owners

of a majority in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceeding in its own name, and unless they have also offered to the Trustee indemnity as provided in the Indenture and unless the Trustee shall thereafter fail or refuse to exercise the powers granted by the Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request, offer of indemnity and consent are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that not one or more Owners of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture and the Trustee does not have an affirmative duty to ascertain whether or not such actions are so unduly prejudicial by his, her or their action or to enforce any right under the Indenture except in the manner provided in the Indenture and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and, except as otherwise provided in the Indenture, for the equal benefit of the Owners of all Bonds then Outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner of Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of and redemption premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and redemption premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner expressed in the Indenture and in the Bonds. (*Section 8.04*)

Application of Moneys After Default

All moneys received or held by the Trustee pursuant to any right given or action taken under the provisions of the Indenture after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys and the expenses, liabilities and advances incurred or made by the Trustee have been paid in full (the "Trustee Collection Costs") and all fees and expenses due to the Trustee under the Indenture ("Trustee Fees"), deposited in the Bond Fund. All moneys so deposited in the Bond Fund shall be applied as follows (provided, however, that any moneys held for non-presented Bonds shall only be applied to the payment of such Bonds without reduction for Trustee Collection Costs or Trustee Fees):

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied:

> FIRST--To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds;

SECOND--To the payment to the Persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on the unpaid principal of and redemption premium, if any, on such Bonds from the respective dates upon which they became due, at a rate borne by the Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

THIRD – To deposit in the Rebate Fund any deficiency of amounts required to be deposited therein; and

(b) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied (subject to the terms of the Indenture):

first: to the payment to the Persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, and then to the payment of any interest due and payable after maturity on the Bonds, ratably, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

second: to the payment of the principal of the Bonds, ratably, to the Persons entitled thereto, without preference or priority of any Bond over any other Bond.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys remaining and thereafter accruing in the Bond Fund shall be applied in accordance with the provisions of paragraph (a) above.

Whenever all of the Bonds and interest thereon have been paid under the provisions of this section and all expenses and fees of the Trustee and any other amounts to be paid to the Issuer under the Indenture have been paid, any balance remaining in the Funds shall be paid to the Borrower subject to the provisions of the Indenture. (*Section 8.05*)

Delay or Omission No Waiver

No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient. No waiver of any default under the Indenture, whether by the Trustee or the Bondholders, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon. (*Sections 8.07, 8.08*)

Waiver of Default

The Trustee may waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding in respect of which default exists; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or redemption premium, if any, on any Outstanding Bonds at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal and redemption premium, if any (with interest upon such principal and redemption premium, if any, at the rates borne by the Bonds) and all expenses of the Trustee, in connection with such default shall have been paid or provided for In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Borrower, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon. (*Section 8.10*)

Notice of Default

The Trustee shall promptly notify in writing the Issuer and the Borrower of any default under the Indenture or the occurrence of any Event of Default. The Trustee may, in its discretion, notify in writing all Bondholders of the occurrence of any Event of Default and shall make available any and all information reasonably requested in writing of the Trustee concerning the Event of Default, the Bonds, the Issuer, the Borrower and any other information relevant to the Event of Default. (*Section 8.11*)

Supplemental Indentures Not Requiring Consent of Bondholders

The Issuer and the Trustee (with the consent of the Borrower) may enter into Supplemental Indentures (which Supplemental Indentures shall thereafter form a part of the Indenture) for any one or more or all of the following purposes, and without the consent of or prior notice to the Holders of the Bonds:

(1) To cure any formal defect, omission or ambiguity in the Indenture, if such action is not materially adverse to the interests of the Bondholders.

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(5) To confirm, as further assurance, any pledge under, and the subjecting to any lien or pledge created or to be created by, the Indenture, or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the Opinion of Bond Counsel, be necessary to assure that the interest on the Tax-Exempt Bonds not be includable in gross income for federal income tax purposes.

(7) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts).

(8) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture or Supplemental Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(9) To authorize the issuance of a Series of Refunding Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture, there shall have been filed with the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms, and that such Supplemental Indenture will not adversely affect the exclusion from federal income taxation of

interest on any Series of Tax-Exempt Bonds Outstanding or the validity of any of the Bonds. (*Section 10.01*)

Supplemental Indentures Requiring Consent of Bondholders

Subject to the terms and provisions contained in the Indenture, the Holders of not less than a majority in aggregate principal amount of the Bonds secured by the Indenture and then Outstanding shall have the right, from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. The following actions shall not be permitted: (i) a change in the times, amounts or currency of payment of the principal of or redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction (except as provided in the Indenture) in the principal amount of any Outstanding Bond, or the redemption premium, if any, or the rate of interest thereon, or any extension of the time of payment thereof, (ii) the creation of a lien upon or pledge of the Trust Estate other than the lien or pledge created by the Indenture or (iii) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture.

If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the foregoing purposes, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders at least ten (10) days prior to the effective date thereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

Whenever, within one year after the date of such notice, there shall have first been filed with the Trustee (i) the written consents of Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or, if such Supplemental Indenture shall affect only a single Series of Bonds, the written consents of not less than a majority in aggregate principal amount of such affected Series of Bonds Outstanding), (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, that upon execution it will be valid and binding upon the Issuer in accordance with its terms, and to the effect that such Supplemental Indenture will not cause the interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes, nor adversely affect the validity of the Bonds, and (iii) a Rating Confirmation with respect to each affected Series or subseries of Bonds then Outstanding, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in the notice. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture. (*Section 10.02*)

Amendments to the Other Security Documents Not Requiring Consent of Bondholders

The Issuer and the Trustee may, without the consent of or notice to the Bondholders, amend, change or modify any of the Security Documents (other than the Indenture), for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or a co-Trustee or the succession of a successor separate or co-Trustee; (v) to make any change required in connection with an amendment permitted to another Security Document, including a permitted Supplemental Indenture; and (vi) to make any other change that, in the judgment of the Trustee does not materially adversely affect the interests of the Bondholders. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Security Documents (excluding the Indenture), there shall be filed with the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Tax-Exempt Bonds Outstanding or the validity of any of the Bonds. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this section. (*Section 10.04*)

Amendments to the Other Security Documents Requiring Consent of Bondholders

Except as otherwise provided in the Indenture, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Security Documents other than the Indenture, without the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture; provided, however, there shall be no amendment, change or modification to the obligation of the Borrower to make loan payments under the Loan Agreement and the Note with respect to the Bonds (except as provided therein or in connection with the issuance of a Series of Outstanding Bonds), without the prior written approval of the Holders of 100% in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture, without the delivery of an Opinion of Bond Counsel to the effect that such amendment, change, modification, reductions or postponement will not cause the interest on any Series of Tax-Exempt Bonds to cease to be excluded from gross income for federal income tax purposes. If at any time the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification as summarized by the Borrower to be mailed in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Bondholders. The Trustee may, but not be obligated to, enter into any such amendment, change or modification which affects the Trustee's own rights, duties or immunities or otherwise. Before the Trustee shall enter into or consent to any such amendment, change or modification, there shall be filed with the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the

exclusion of interest on any of Series of Tax-Exempt Bonds for federal income tax purposes under the Code or the validity of any of the Bonds. (*Section 10.05*)

No Pecuniary Liability of Issuer or Members

No provision, covenant or agreement contained in the Indenture or in the Bonds or any obligations therein imposed upon the Issuer or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in the Indenture, the Issuer has not obligated itself except with respect to the Trust Estate.

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, employee or agent of the Issuer in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price, if any, of, Sinking Fund Requirements for, if any, or interest on the Bonds or for any claim based thereon or under the Indenture against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds. (Section *11.04*)

Priority of Indenture Over Liens

The Indenture is given in order to secure funds to pay for the Project and, by reason thereof, it is intended that the Indenture shall be superior to any laborers', mechanics' or materialmen's liens that may be placed upon the Facility subsequent to the recordation thereof. In compliance with Section 13 of the Lien Law, the Issuer will receive the advances secured by the Indenture and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of improvements and that the Issuer will apply the same first to the payment of the costs of improvements before using any part of the total of the same for any other purpose. (*Section 11.06*)

APPENDIX E
SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE

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SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE

The following is a summary of certain provisions of the Site Lease as supplemented and amended by Supplement No. 1 to Site Lease and Related Amendments, dated November 15, 1995, by the Second Supplemental Agreement dated January 1, 1998, and as further supplemented by a Third Supplement, expected to be dated as of November 1, 2005. This summary is not to be considered a full statement of the terms of the Site Lease and accordingly is qualified by reference thereto and is subject to the full text thereof.

TERM OF THE SITE LEASE

Fixed Term. The term of the Site Lease commenced on July 13, 1994, and, effective with the execution of the Third Supplement to the Site Lease, will expire unless otherwise extended on May 27, 2023.

FACILITY RENTAL AND OTHER PAYMENTS BY TOGA UNDER THE SITE LEASE

Effective on the first day of the month of each anniversary of the Date of Beneficial Occupancy (as defined below), the then applicable Basic Rental shall be increased by the greater of (i) 1/2 of the annual percentage increase in the Consumer Price Index, if any, for the latest 12 month period, calculated in accordance with the Site Lease; or (ii) 4% of the prior annual Basic Rental. In no event shall any rental rate established in accordance with the provisions described in the prior sentence be less than the rental rate it supersedes. The Basic Rental under the Site Lease shall be payable by TOGA in advance in equal monthly installments on the first day of each and every calendar month during the balance of the term. The *"Date of Beneficial Occupancy"* was determined to be May 28, 1998.

Handling Services Percentage Fee. In addition to the Basic Rental and all other fees, charges, and payments to be made by TOGA under the Site Lease, TOGA shall pay to the Port Authority a percentage fee equal to 5% (or such higher percentage as may be established by the Port Authority from time to time) of the Gross Receipts (as hereinafter defined) arising during the term of the letting. "Gross Receipts" includes all monies, revenues, receipts and income of every kind paid or payable to TOGA or its partners for, and if and to the extent that the fair market value is not charged or payable, then to the extent of the fair market value, Handling Services (as hereinafter defined) conducted or originated at the Premises — including, without limitation, all such monies, revenues, receipts and income paid or payable to TOGA, the general partner of TOGA and Air France, JAL, Korean Air and Lufthansa German Airlines (the *"Airline Partners"),* as Approved Sublessees (defined below) for Handling Services, and the same shall be deemed imputed to TOGA and constitute gross receipts of TOGA under the Site Lease. Subject to specified conditions in the Site Lease, "Gross Receipts," however, shall not include, among other things, any monies, revenues, receipts and income paid or payable to TOGA for Handling Services performed by TOGA for any of the Airline Partners as Approved Sublessees (defined below) or any monies, revenues, receipts and income paid or payable to TOGA or to any such Airline Partner by certain airlines which are subsidiaries of the Airline Partners that are Approved Sublessees as identified in the Site Lease (the *"Subsidiary Airlines"). "Handling Services"* shall mean services commonly known as "ramp services" and "passenger handling services" which include, but are not limited to, aircraft ground handling, interior and exterior

aircraft cleaning, baggage loading and unloading from aircraft, the transportation of passengers to and from aircraft for the purpose of enplanement and deplanement, the performance of ground services incidental to flight such as pre-flight briefing of air crews, passenger and baggage check-in, passenger ticketing, passenger assistance and passenger information services. *"Approved Sublessee"* shall mean an Airline Partner with whom TOGA has entered into a sublease agreement, license agreement or other agreement for the use and occupancy of the Premises by the Approved Sublessee which such agreement has been consented to by the Port Authority by the execution of a Consent Agreement (defined below).

Subletting Percentage Fee. In addition to the rentals and other fees, charges and payments made by TOGA under the Site Lease, TOGA shall pay to the Port Authority an additional percentage fee during the term of the Site Lease equal to 10% (or such higher percentage as may be established by the Port Authority from time to time) of TOGA's Gross Sublease Rental Charges arising during the term of the letting under the Site Lease. Gross Sublease Rental Charges include all revenues, monies, income and receipts of any kind paid or payable to TOGA by each and every sublessee of the Premises (other than the Airline Partners and the Subsidiary Airlines which have executed a sublease agreement and a consent agreement among the Port Authority, TOGA and such airline (together, a *"Consent Agreement")* and are deemed to be approved sublessees under the Site Lease) arising out of or pursuant to the terms of the sublease or the subletting of any sublessee, or out of the operations of each sublessee at the Premises.

Other Costs. If the Port Authority is required or elects to pay any sum or sums or incurs any obligations or expense by reason of the failure, neglect, or refusal of TOGA to perform or fulfill any one or more of the conditions, covenants or agreements contained in the Site Lease, or as a result of any act or omission of TOGA contrary to said conditions, covenants and agreements, TOGA agrees to pay the sum or sums so paid or the expense so incurred including all of the interest, costs, damages and penalties, and the same may be added to any installment of rent thereafter due under the Site Lease, and each and every part of the same shall be and become additional rent, recoverable by the Port Authority in the same manner and with like remedies as if it were originally part of the rent set forth in the Site Lease. If TOGA shall fail to pay amounts required to be paid by TOGA under the Site Lease, the Port Authority may impose a late charge with respect thereto in an amount specified in the Site Lease.

USES OF PREMISES

TOGA shall use the Premises for the subleasing of the Premises to the Airline Partners that are Approved Sublessees, who, solely in connection with their business of transportation by aircraft, may use the Premises only for the purposes specified in the Site Lease and for activities reasonably required for such purposes and activities, including, *inter alia,* the reservation of space and the sale of airline tickets; the clearance, checking and rendering of service to passengers and invitees of the Approved Sublessees; the handling of baggage of passengers of the Approved Sublessees; the conduct of operations, traffic, communications, reservations and administrative office functions and activities in connection with air transportation performed by the Approved Sublessees; the preparation of packaging and storage of food and beverages to be consumed on aircraft operated at the Premises by the Approved Sublessees; the storage of repair parts, supplies and other personal property; the storage of such automotive fuel and lubricants as

may be approved by the Port Authority; the loading and unloading of passengers, baggage, mail, air cargo and commissary supplies; the parking and storage of aircraft and ramp equipment; the fueling and servicing of aircraft and ramp equipment and maintenance of ramp equipment; the training of personnel employed or to be employed by the Approved Sublessees; and for federal inspection services by federal agencies. The Premises may also be used for Handling Services by TOGA through its general partner or by the Approved Sublessees subject to the Port Authority's approval of any contract for Handling Services.

PORT AUTHORITY RIGHT TO DIRECT USE OF PORTIONS OF THE PREMISES BY OTHER SCHEDULED AIRLINES

As of January 1, 2000, and as of January 1 of each succeeding calendar year (i) in the event that the revenue seats daily average for the Premises (as calculated pursuant to the terms of the Site Lease) of the Airline Partners that are Approved Sublessees for the immediately preceding calendar year for the Airport (the *"Lessee's Basic Schedules")* are less than 60% of 3,744 (the *"Lessee's Commencement Basic Schedules")* or (ii) in the event that because of reasons beyond the control of TOGA or any of the Approved Sublessees, the Lessee's Basic Schedules for the immediately preceding two calendar years are less than 60% of the Lessee's Commencement Basic Schedules, then in either of such events, the Port Authority has the right, upon six months' written notice to TOGA, to require TOGA to make available Accommodations (as hereinafter defined) at the Premises to other Scheduled Aircraft Operators (as defined in the Site Lease) as directed by the Port Authority in the amounts and to the extent set forth in the Site Lease. TOGA is required to make such Accommodations available from time to time during the entire period commencing on the effective date set forth in the aforesaid notice and ending when the Lessee's Basic Schedule for a calendar year shall have been 60% or more of the Lessee's Commencement Basic Schedule (a *"Period of Underutilization").*

"Accommodations" as used herein and in the Site Lease means aircraft ramp and gate position capacity and related passenger terminal facilities including, but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger lounge and waiting areas and appropriate signage and public identification. TOGA may accomplish such Accommodations by making available and providing non-exclusive use of gate positions and other related facilities to other Scheduled Aircraft Operators pursuant to handling agreements between TOGA and any such airline (the *"Handled Airline").* The Accommodations contemplated by the Site Lease may involve the use of subleases to a Scheduled Aircraft Operator (a *"Sublessee Airline")* of areas of the Premises in addition to or in lieu of handling agreements. Any handling agreement or sublease is subject to the prior and continuing approval of the Port Authority and the Port Authority has sole discretion in granting or withholding its consent to any handling agreement or sublease proposed by TOGA or directed by the Port Authority whether or not during a Period of Underutilization, and such consent may contain such terms and conditions, including but not limited to such financial or other conditions which may include a fixed charge or a charge based upon a percentage of TOGA's gross receipts arising therefrom, as the Port Authority may, at that time, elect.

The Port Authority is required to give 30 days' prior notice of its intention to give the notice described above. The Site Lease restricts the Port Authority from exercising the aforesaid right with respect to any portion or portions of the Premises if and for which TOGA has

submitted to the Port Authority definite plans for the utilization of said portion or portions of the Premises by TOGA, *provided* TOGA in fact commences such use of said portion or portions of the Premises within 30 days after the submission of such plans.

INSURANCE

TOGA is obligated, during the term of the Site Lease, to insure and keep insured, to the full extent of the replacement value thereof, all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the Premises against all risks of physical loss or damage, and if such is not available, then against such hazards and risks as may be included under the standard form of fire insurance policy of the State of New York, and is also obligated to insure against damage or loss by windstorm, cyclone, tornado, hail, explosion, riot, flood, earthquake, civic commotion, aircraft, vehicles and smoke under the Standard Form of Fire Insurance Policy of the State of New York and the form of extended coverage endorsement prescribed by the Rating Organization having jurisdiction, and a separate insurance policy or policies or as an additional coverage endorsement to the aforesaid policies covering boiler and machinery hazards and risks. In addition, TOGA shall provide additional insurance with respect to the Premises covering any other property risk that the Port Authority may cover during the term of the Site Lease by carrier or self-insurance. The insurance coverage shall insure the Port Authority, TOGA and the City, as their interests may appear, and shall provide that the loss, if any, shall be adjusted with and payable to the Port Authority.

TOGA, in its own name as insured and including the Port Authority as an additional insured, also is obligated to secure, maintain and pay the premiums during the term of the Site Lease on a policy or policies of comprehensive general liability insurance to cover, among other things, bodily injury including death, and property damage liability, broadened to include, or equivalent separate policies covering, aircraft liability, none of the foregoing to contain care, custody or control exclusions, and comprehensive automobile liability and with certain other endorsements affording additional projections for the Port Authority, and providing coverage in the following limits: $100 million per occurrence for bodily injury and property damage liability and $25 million per occurrence for comprehensive automobile liability, bodily injury liability and property damage liability, respectively.

DAMAGE TO OR DESTRUCTION OF THE PREMISES

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

Damage or Destruction of the Premises. If the Premises, or any part thereof, shall be damaged by fire, the elements, the public enemy or other casualty, the same shall be repaired with due diligence in accordance with the plans and specifications for the Premises as they existed prior to such damage by and at the expense of TOGA, and if such damage is covered by insurance, the proceeds thereof shall be made available to and be used by TOGA for such repairs.

Limitation on Obligation to Repair or Replace. Except as to repairs and replacements occasioned by the acts and omissions of TOGA, the obligation of TOGA to repair or replace shall be limited to the amount of the insurance proceeds, *provided* that TOGA has carried insurance to the extent and in accordance with the Site Lease. Any excess of the proceeds of insurance over the costs of the restoration shall be retained by the Port Authority.

INDEMNIFICATION

During the term of the letting TOGA shall indemnify and hold harmless the Port Authority, its Commissioners, officers, employees and representatives from (and shall reimburse the Port Authority for the Port Authority's costs and expenses including legal expenses incurred in connection with the defense of) all claims and demands of third persons including, but not limited to, claims and demands for death or personal injuries, or for property damages arising out of any breach or default of any term or provision of the Site Lease by TOGA or any partner of TOGA or out of the use or occupancy of the Premises by TOGA or any partner of TOGA or by others with its consent, or out of any of the acts or omissions of TOGA or any partner of TOGA, the officers, employees, guests, invitees and business visitors of TOGA, any partner of TOGA or any Approved Sublessee elsewhere at the Airport (excepting any claims and demands arising from the sole negligence of the Port Authority), including claims and demands of the City from which the Port Authority derives its rights in the Airport, for indemnification, arising by operation of law or through agreement of the Port Authority with the City.

CONDEMNATION

Permanent Taking of All or a Portion of the Premises and the Public Landing Area. If a Taking is permanent and covers the entire Premises, then the Site Lease shall, as of the Date of Taking, cease and determine in the same manner and with the same effect as if such date were the original date of expiration of the Site Lease.

If a Taking is permanent but covers less than all of the Premises, the Site Lease shall continue as to the portion of the Premises not so taken, and the letting as to the part of the Premises so taken shall, as of the Date of Taking cease and determine in the same manner and with the same effect as if the term of the letting had on that date expired, and the rentals shall be abated as described in the Site Lease.

If a Taking covers only a Material Part of the Premises or of the Public Landing Area, then TOGA and the Port Authority shall each have an option exercisable by notice given within ten (10) days after the Date of Taking to terminate the letting under the Site Lease with respect to the Premises not taken, as of the Date of Taking, and such termination shall be effective as if the Date of Taking were the original date of expiration of the Site Lease. If the Port Authority exercises this option, it shall purchase from TOGA, TOGA's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for a consideration equal to TOGA's Unamortized Capital Investment, if any, in the Premises not taken. If the letting of the entire Premises is not terminated, the rentals shall be abated in accordance with the Site Lease after the date of surrender of possession of the portion of the Premises taken.

If a Taking is permanent but covers less than the entire Premises and the letting of the portion of the Premises not taken is not terminated pursuant to the provisions described in the immediately preceding paragraph, TOGA (subject to all applicable terms and provisions of the Site Lease) shall proceed diligently to restore the remaining part of the Premises not so taken so that the Premises shall be a complete, operable, self-contained architectural unit in good condition and repair and the proceeds of that portion of any award paid in trust to the Port Authority pursuant to the Basic Lease attributable to the improvements on the Premises not so taken shall be made available by the Port Authority to and be used by TOGA for that purpose. The Port Authority shall retain any excess of such award over the costs of the restoration.

If a Taking (x) covers all or "substantially all of a Municipal Air Terminal", as defined in the Basic Lease, and (y) the Basic Lease (with respect to the Airport) and the Site Lease are consequently terminated, then the Port Authority shall pay to TOGA its Unamortized Capital Investment, if any, in the Premises, *provided, however,* that the Port Authority's foregoing payment obligation to TOGA shall be limited to a proportionate share (as determined by the Port Authority in its sole discretion following consultation with all of the Port Authority's tenants at the Airport) of the condemnation proceeds available to be paid to TOGA and the Port Authority's other tenants at the Airport, and *provided, further,* that such available condemnation proceeds shall be limited to the amount of the condemnation proceeds received from the City remaining after the Port Authority has been compensated for (p) the value of its leasehold interest in the Airport or (q) the sum of the unamortized portion of the Port Authority's investment in improvements at the Airport and any remaining deferred charges for equipment acquired by the Port Authority for use at or in connection with its operation of the Airport, whichever of (p) or (q) is greater (such greater amount, the *"Port Authority Share").* In making the determination of "proportionate share" described in the first proviso of the preceding sentence, the Port Authority shall in no event be liable, in any respect, to TOGA or any other party by reason of such determination or the resulting distribution of proceeds, and TOGA shall, prior to receipt of any such distribution, execute and deliver to the Port Authority such form of waiver, release and indemnification as the Port Authority may request. TOGA understands and accepts that after payment of the Port Authority Share, there may be insufficient condemnation proceeds (or none at all) remaining to pay all or any portion of TOGA's Unamortized Capital Investment.

Temporary Taking of All or Any Part of the Premises or the Public Landing Area. If the temporary use of the whole or any part of the Premises shall be taken for any public or quasi-public purpose by any lawful power or authority pursuant to a Taking or by agreement between the Port Authority and such lawful power or authority, (w) TOGA shall give prompt notice thereof to the Port Authority, (x) the term of the letting under the Site Lease shall not be reduced or affected in any way and (y) TOGA shall continue to pay in full all rentals payable by TOGA under the Site Lease without reduction or abatement except as described in the following paragraph.

If a temporary Taking covers all or a Material Part of the Premises or the Public Landing Area, then TOGA and the Port Authority shall each have an option, exercisable by notice given within ten (10) days after the Date of Taking, to suspend the term of the letting of such of the Premises as are not so taken during the period of the Taking, and, in that event, the rentals for such portion of the Premises not so taken shall abate for the period of the suspension in accordance with the Site Lease, If the Port Authority exercises this option, it shall purchase from

TOGA, TOGA's leasehold interest (excluding any personal property whatsoever) in the Premises not taken for the period of suspension for a consideration equal to TOGA's Unamortized Capital Investment, if any, in such Premises which is to be amortized over the period of such suspension.

Condemnation Claims by TOGA. To the extent a condemnation claim by TOGA shall not diminish any claim, award, compensation or damages of or to the City or of the Port Authority on account of any condemnation and such condemnation claim is permitted by the Basic Lease, TOGA may file a claim in a condemnation proceeding.

ASSIGNMENT AND SUBLEASE

TOGA agrees that it will not sell, convey, transfer, mortgage, pledge or assign the Site Lease, any part thereof or any rights created thereby without the prior written consent of the Port Authority. TOGA also agrees that it will not sublet the Premises or any part thereof without the prior written consent of the Port Authority. TOGA, however, has the right and the obligation during the entire term of the Site Lease to sublease the Premises or portions thereof to the Airline Partners who have entered into sublease agreements, license agreements or other agreements for the use and occupancy of the Premises, provided such agreements have been consented to by the Port Authority as evidenced by a fully executed Consent to Facility Sublease. Prior to executing any such sublease, TOGA shall submit the form of such sublease agreement to the Port Authority for its review. The Airline Partners executed Consents to Facility Sublease contemporaneously with the execution of the Site Lease covering the subleasing of the Premises and setting forth the Port Authority's consent thereto. TOGA shall assume, with respect to each of the Approved Sublessees, all responsibility for such Approved Sublessee's operations at or in connection with the Premises or any portion thereof, including, but not limited to, the payment of fees and charges from each such Approved Sublessee. Each proposed sublease will be subject to the terms and conditions set forth in the Site Lease.

If without the prior written consent of the Port Authority, TOGA assigns, sells, conveys, transfers, mortgages, pledges or sublets in violation of the Site Lease or if the Premises are occupied by anyone other than TOGA, the Port Authority may collect rent from any assignee, sublessee or anyone who claims a right under the Site Lease or who occupies the Premises, and the Port Authority shall apply the net amount collected to the rental reserved under the Site Lease. No such collection shall be deemed a waiver by the Port Authority of the covenants of the Site Lease or an acceptance by the Port Authority of any such assignee, sublessee, claimant or occupant as lessee under the Site Lease, nor a release of TOGA by the Port Authority from the further performance by TOGA of the Site Lease.

Any consent granted by the Port Authority to an assignment or subletting shall not be construed or deemed to release, relieve or discharge any succeeding assignee, successor or transferee of TOGA or any other person claiming any right, title or interest in the Site Lease from the requirement of obtaining the prior written consent of the Port Authority in the event that it wishes to sell, convey, transfer, mortgage, pledge, sublet or assign the Site Lease or any part thereof, or any rights created thereby or the letting thereunder or any part thereof; and such assignee, successor or transferee or other person claiming any right, title or interest in the Site Lease shall not sell, convey, transfer, mortgage, pledge, sublet or assign the Site Lease or any

part thereof, or any rights created or the letting thereunder or any part thereof, without such prior consent of the Port Authority.

TOGA shall not use or permit any person to use the Premises or any portion thereof for any purpose other than the purposes stated in the Site Lease. Except as provided in the Site Lease or otherwise permitted in writing by the Port Authority, TOGA shall not permit the Premises to be used or occupied by any person other than its own and its Approved Sublessees' officers, employees, passengers, contractors and representatives.

TERMINATION BY THE PORT AUTHORITY

Events of and Procedure for Termination. Upon the occurrence of any one or more of the following events or at any time thereafter during the continuance thereof, the Port Authority may, upon 20 days' notice, terminate the rights of TOGA under the Site Lease, such termination to be effective upon the date specified in such notice:

(a) TOGA or any general partner of TOGA becomes insolvent or takes the benefit of any present or future insolvency statute, or makes a general assignment for the benefit of creditors, or files a voluntary petition in bankruptcy or a petition or answer seeking an arrangement or its reorganization or the readjustment of its indebtedness under the Federal bankruptcy laws or under any other law or statute of the United States or of any state thereof, or consents to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property; or

(b) By order or decree of a court, TOGA or any general partner of TOGA is adjudged a bankrupt or an order is made (and such judgment or order is not stayed or vacated within 60 days after the entry thereof) approving a petition filed by any of its creditors or by the creditors of any partner of TOGA or by any of the partners of TOGA, seeking its reorganization or the readjustment of its indebtedness under the Federal bankruptcy laws or under any law or statute of the United States or of any state thereof unless vacated within 60 days; or

(c) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer having jurisdiction, a receiver, trustee or liquidator shall take possession or control of all or substantially all of the property of TOGA or any general partner of TOGA and such possession or control continues in effect for a period of 30 days; or

(d) TOGA voluntarily abandons, deserts or vacates the Premises or discontinues its operations at the Premises, or, after exhausting or abandoning any right of further appeal, is prevented for a period of 30 days by action of any governmental agency (other than the Port Authority) having jurisdiction thereof, from conducting its operations at the Airport, regardless of the fault of TOGA; or

(e) Any lien is filed against the Premises because of any act or omission of TOGA or any partner of TOGA and is not bonded against, discharged or removed within 30 days after the receipt of notice thereof by TOGA; or

(f) Except as permitted by the Site Lease, the letting or the interest or estate of TOGA under the Site Lease is transferred directly by TOGA or passes to or devolves upon, by operation of law or otherwise, any other person, firm or corporation; or

(g) A petition under any part of the Federal bankruptcy laws or an action under any present or future insolvency law or statute is filed against TOGA or any general partner of TOGA and is not dismissed within 60 days after the filing thereof; or

(h) Except as otherwise permitted by the Site Lease, TOGA, without the prior written approval of the Port Authority, becomes a constituent or possessor or merged or surviving partnership in a merger, a constituent or resulting partnership in a consolidation, or a partnership in dissolution, in termination or in liquidation; or

(i) TOGA fails to duly and punctually pay the rentals or to make any other payment required under the Site Lease when due to the Port Authority and continues in its failure to pay rentals or fees or to make any other payment required for a period of 15 days after receipt of notice by it from the Port Authority to make such payment; or

(j) Any general partner of TOGA shall, without prior approval of the Port Authority, become a possessor or merged corporation in a merger, a constituent corporation in a consolidation, or a corporation in dissolution; or

(k) With respect to each and every Approved Sublessee (or other sublessee), TOGA shall fail to evict, dispossess and remove such Approved Sublessee (or other sublessee) from the Premises or any portion thereof and from the subleased premises and subleased areas and to recover, re-enter, regain and resume possession of said premises and areas immediately upon the revocation by the Port Authority of its consent under the Consent Agreement entered into between the Port Authority, TOGA and such Approved Sublessee (or other sublessee); or

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

RIGHT OF TERMINATION ARISING FROM PARTNERSHIP CHANGES

Unless the Port Authority has given its prior written consent, the Port Authority shall have the right to terminate upon 20 days' notice, the Site Lease upon the occurrence of any of the following events or at any time during the continuance thereof:

(a) Excepting only TOMI and the Airline Partners, any individual, corporation, partnership or other entity in its own or any representative capacity shall have, own, obtain or hold, or have any right to have, own, obtain or hold, any partnership interest, in whole or in part, in TOGA, whether directly from TOGA or by agreement or consent or

by transfer, sale, assignment, appointment, merger, consolidation, operation of law, or otherwise, or shall be or become or be admitted as, or have a right to be or become or to be admitted as, a partner of TOGA, whether directly from TOGA or by agreement or consent, or by transfer, sale or assignment of a partnership interest, in whole or in part, or by appointment, merger, consolidation, operation of law, or otherwise; *provided, however,* that the foregoing shall not apply to a Scheduled Aircraft Operator which becomes an airline partner as a result of a merger or consolidation with an Airline Partner or as a result of such Scheduled Aircraft Operator succeeding to the assets of such Airline Partner or the major portion of its assets related to its air transportation system where the successor entity and the Airline Partner have complied with certain requirements set forth in the respective Consent Agreement; or

(b) Any individual, corporation, partnership or other entity, in its own or any representative capacity, shall have, own, hold or obtain or be granted a pledge, security interest, lien or other encumbrance, claim or right in or against any part or all of the partnership interest of any partner of TOGA or of any certificate evidencing any part or all of such partnership interest; or

(c) Any partner of TOGA shall cease to be a partner of TOGA for any cause or reason whatsoever; *provided, however,* and subject to the applicable provisions of the Consent Agreement, this prohibition shall not apply to an Airline Partner which ceases to be an Airline Partner as a result of a merger or consolidation with another Scheduled Aircraft Operator or as a result of such Scheduled Aircraft Operator succeeding to the assets of such Airline Partner or major portion of its assets related to its air transportation system if such successor entity and the Airline Partner have complied with the terms of the Consent Agreement executed by TOGA, the Port Authority and the Airline Partner as an Approved Sublessee; or

(d) TOMI shall at any time be or become a publicly owned entity, and any individual, corporation, partnership or other entity (other than the Airline Partners) shall have direct or indirect beneficial ownership of a portion of any class of outstanding voting securities of TOMI in excess of 20% or TOMI, as a privately held entity, shall have any of its securities or shares or any rights or privileges thereunder held by any individual or entity other than the Airline Partners; or

(e) Any change in the ownership of TOGA or of TOMI contrary to the representations and warranties as to ownership contained in the Site Lease.

RIGHTS OF TERMINATION ARISING FROM THE OCCURRENCE OF TRIGGERING EVENTS

In addition to the Port Authority's rights to terminate the term of the Site Lease and the letting thereunder, the Port Authority may terminate the Site Lease or the subleases of the Airline Partners that are Approved Sublessees, together with the Consent Agreements for these Airline Partners upon the occurrence of certain "*Triggering Events,*" and TOGA shall thereafter become a holdover month-to-month tenant. The Site Lease defines certain "*Triggering Events*" to include the following:

(a) TOGA's failure to make a payment of (i) monthly installments of rental under Site Lease to the Port Authority on the first day of each calendar month or (ii) all sums due to the Port Authority under the Site Lease or otherwise, including without limitation, the payment of percentage fees under the Site Lease which are due by the 20th of each month, and are outstanding for more than 30 days, appearing on a Statement of Account rendered by the Port Authority to TOGA; *provided, however,* that such Triggering Event shall not be deemed to have occurred unless the Port Authority shall have notified TOGA that such Triggering Event shall be effective on a date 30 days following the date of such notice and such payments due from TOGA as specified in the notice had not been received by the Port Authority.

(b) The occurrence of any of the following; *provided, however,* in each such case a Triggering Event shall only occur if the Port Authority shall have previously given or shall thereafter give TOGA notice of the election of the Port Authority to activate such Triggering Event:

> (i) a creditor takes possession or an administrative or other receiver is appointed of the whole or of a substantial part of the assets or undertakings of TOGA or a general partner of TOGA or an administrative order is made in relation to TOGA or a general partner of TOGA and such taking of possession, appointment or order is not released, discharged or cancelled within 60 days; or
>
> (ii) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the assets or undertaking of TOGA or a general partner of TOGA and is not discharged, dismissed or stayed within 60 days thereof; or
>
> (iii) TOGA or a general partner of TOGA stops payment generally or is unable to pay its debts generally as and when they fall due (otherwise then for the purposes of solvent reconstruction, amalgamation or merger, the terms of which had been previously approved in writing by the Port Authority) or seizes or threatens to seize to carry on all or substantially all of its business; or
>
> (iv) TOGA or a general partner of TOGA makes an assignment for the benefit of creditors generally or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action.

(c) An Airline Partner shall fail to make a payment of (i) all sums, including without limitation, flight fees and fuel gallonage fees, under agreements or otherwise with the Port Authority on or before the 20th day of the following calendar month; (ii) all sums due to the Port Authority and outstanding for more than 30 days appearing on a Statement of Account rendered by the Port Authority to the Airline Partner. Such Triggering Event shall not have occurred unless the Port Authority shall have notified the Airline Partner that such Triggering Event shall be effective on a date 30 days following the date of such notice unless all such payments due from the Airline Partner as specified in such notice had been received by the Port Authority.

Seven days following the occurrence of a Triggering Event described in subsection (a) above or ten business days following the occurrence of a Triggering Event described in subsection (b) above, the Port Authority may deem the term of the Site Lease terminated and TOGA shall thereafter be a hold-over tenant, on a month-to-month periodical basis. Upon the occurrence of a Triggering Event described in subsection (c) above or certain changes in ownership of TOGA, the Port Authority may, in its sole discretion, revoke the Consent to Facility Sublease between the Port Authority, TOGA and the respective Airline Partner or modify its consent to require the sublease to continue on a month-to-month periodical basis.

TOGA agrees that it will notify the Port Authority in writing of the occurrence of an event or events which, if the Port Authority were to activate the same by giving of a notice or notices as specified in the Site Lease, would constitute a Triggering Event. If TOGA has, by notice, advised the Port Authority that it reasonably believes that any of the Triggering Events either is anticipated to occur within 45 days of said notice or has already occurred or if the Port Authority believes that the same has occurred without receipt of notice from TOGA, the Port Authority may, but has no obligation to, waive the Triggering Event.

If four consecutive calendar quarters have elapsed after a Triggering Event has occurred during which time (i) TOGA is in occupancy of the Premises as a month-to-month tenant; (ii) no Triggering Event has occurred or continues to occur; (iii) TOGA is not in default of the payment of any rental or any other provision of its month-to-month tenancy; and (iv) neither the Port Authority nor TOGA has terminated the month-to-month tenancy upon notice to the other, then upon request by either party, the parties will enter into a supplementary agreement to be prepared by the Port Authority and to be properly executed by the parties which would provide for the re-establishment of a tenancy between the Port Authority and TOGA on a fixed term basis in accordance with all the terms and provisions of the Site Lease, and upon said execution, the new lease shall have the fixed term originally provided.

The Port Authority's rights and remedies related to the Triggering Events are separate and apart from its other rights to terminate the Site Lease, which rights are not affected by the occurrence or nonoccurrence of a Triggering Event.

SURVIVAL OF THE OBLIGATIONS OF TOGA

In the event that the letting under the Site Lease shall have been terminated by the Port Authority under the provisions of the Site Lease or the interest of TOGA is canceled pursuant thereto, or in the event that the Port Authority has re-entered, regained or resumed possession of the Premises, all the obligations of TOGA under the Site Lease shall survive such termination or cancellation, or re-entry, regaining or resumption of possession and shall remain in full force and effect for the full term of the letting under the Site Lease, and the amount or amounts of damages or deficiency shall become due and payable to the Port Authority to the same extent, at the same time or times and in the same manner as if no termination, cancellation, re-entry, regaining or resumption of possession had taken place.

RELETTING BY THE PORT AUTHORITY

The Port Authority, upon termination or cancellation under the provisions of the Site Lease or upon any re-entry, regaining or resumption of possession of the Premises under the provisions of the Site Lease, may occupy the Premises or may relet the Premises, and shall have the right to permit any person, firm or corporation to enter upon the Premises and use the same. In the event either of any reletting or of any actual use and occupancy by the Port Authority (the mere right of the Port Authority to use and occupy not being sufficient), there shall be credited to the account of TOGA against its survived obligations under the Site Lease any net amount remaining after deducting from the amount actually received from any lessee, licensee, permittee or other occupier in connection with the use of the Premises or portion thereof during the balance of the letting as the same is originally stated in the Site Lease or from the market value of the occupancy of such portion of the Premises as the Port Authority may during such period actually use and occupy, all expenses, costs and disbursements incurred or paid by the Port Authority in connection therewith. No such reletting shall be or be construed to be an acceptance of a surrender of the Site Lease.

TERMINATION BY TOGA

Upon the occurrence of any one or more of the following events or at any time thereafter during the continuance thereof, TOGA may, by 20 days' notice, terminate the letting under the Site Lease, such termination to be effective upon the date set forth in such notice and to have the same effect as if the term of the letting had on that date expired:

(a) If the Airline Partners who are Approved Sublessees shall be prevented from operating their air transportation systems at the Airport by reason of their inability to use a substantial part or all of the runways and taxiways at the Airport:

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

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

(iii) for a period of longer than 90 consecutive days, resulting from any order, rule or regulation of the Federal Aviation Administration, or other governmental agency having jurisdiction over the operations of the Approved Sublessees with which the Approved Sublessees are unable to comply at reasonable cost or expense; or

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

No wavier by TOGA of any default on the part of the Port Authority in performance of any of the terms, covenants or conditions of the Site Lease to be performed, kept or observed by the Port Authority shall be or be construed to be a waiver by TOGA of any other or subsequent default in performance of any of such terms, covenants and conditions. The payment of rentals by TOGA for the period or periods after TOGA shall have a right to terminate in accordance with these provisions but before any default of the Port Authority has been cured, shall not be or be construed to be a waiver by TOGA of any such right of termination.

RELATIONSHIP TO BASIC LEASE

The Site Lease and the letting thereunder shall terminate with the termination or expiration of the Basic Lease which covers the Premises, such termination to be effective on such date and to have the same effect as if the term of the letting had on that date expired. The rights of the Port Authority in the Premises are those granted to it by the Basic Lease, and no greater rights are granted or intended to be granted to TOGA than the Port Authority has power thereunder to grant. The Port Authority covenants that, during the term of the Site Lease, the Port Authority will not take any action which would amount to or have the effect of cancelling, surrendering or terminating the Basic Lease prior to the dates specified in the Basic Lease for its expiration insofar as such surrender, cancellation or termination would in any manner deprive TOGA of any of its rights, licenses or privileges under the Site Lease. The Site Lease expressly provides, however, that nothing contained in the Site Lease shall prevent the Port Authority from entering into an agreement with the City pursuant to which the Basic Lease is surrendered, cancelled or terminated, *provided* that the City, at the time of such agreement, assumes the obligations of the Port Authority under the Site Lease.

APPENDIX F
FORM OF OPINION OF CO-BOND COUNSEL

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FORM OF OPINION OF CO-BOND COUNSEL

[Date of closing]

New York Transportation Development Corporation
c/o Empire State Development
633 Third Avenue
New York, New York 10017

Ladies and Gentlemen:

We have examined a record of proceedings of the New York Transportation Development Corporation (the "Issuer"), a not-for-profit local development corporation organized and existing under Section 1411 of the New York Not-for-Profit Corporation Law, being Chapter 35 of the Consolidated Laws of the State of New York (the "Act"), created by action of the New York Job Development Authority established under Section 1802, Subtitle I, Title 8, Article 8, of the New York Public Authorities Law, and other proofs submitted to us relative to the issuance and sale of the Issuer's $167,260,000 aggregate principal amount of Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project) (the "Series 2015 Bonds").

The Series 2015 Bonds are issued under and pursuant to the Act and the Indenture of Trust, dated as of December 1, 2015 (the "Indenture"), by and between the Issuer and The Bank of New York Mellon, as Trustee (the "Trustee") and a resolution of the Issuer adopted on December 2, 2015 (the "Bond Resolution") authorizing the issuance and sale of the Series 2015 Bonds and the taking of certain actions relating thereto. Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Indenture.

The Series 2015 Bonds are dated the date hereof and mature on the dates and bear interest at the rates from their date of issuance until their respective maturity dates as set forth in the Series 2015 Bonds and the Indenture. The Series 2015 Bonds are issuable as fully registered bonds, without coupons, in such authorized denominations as set forth in the Series 2015 Bonds and the Indenture.

The Series 2015 Bonds are subject to extraordinary optional and mandatory redemption prior to maturity in the manner and upon the terms and conditions set forth in the Indenture.

The Series 2015 Bonds are issued in order to refund the outstanding New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (Terminal One Group Association, L.P. Project) (the "Prior Bonds") original issued in the aggregate principal amount of $387,740,000. The proceeds of the Prior Bonds were used to refinance the demolition of an existing terminal and the construction of an approximately 600,000-square foot, single concourse terminal and the related machinery and equipment used and managed by Terminal One Group Association, L.P. (the "Borrower") as a passenger facility located at the site of Building 55 at John F. Kennedy International Airport, Queens, New York (the "Facility") and finance certain capital improvements and the acquisition of certain equipment for the Facility and related costs.

The proceeds of the Bonds will be loaned by the Issuer to the Borrower pursuant to the Loan Agreement, dated as of December 1, 2015 (the "Loan Agreement"), by and between the Issuer and the Borrower, which loan will be evidenced by a related promissory note of the Borrower (the "Note") and used to refund the outstanding Prior Bonds. The Series Bonds are secured by a pledge and assignment of

the Note and the Loan Agreement pursuant to the Indenture and a pledge of moneys and securities held in certain funds and accounts established under the Indenture.

The Issuer will assign all of its right, title and interest (other than certain reserved rights) in the Security Documents to the Trustee for the benefit of the Bondholders.

In connection with the Prior Bonds, the Borrower and each of its limited partners airline carriers (each, a "Signatory Carrier") entered into substantially similar Facility Use and Lease Agreements (collectively, the "Use Agreements"), pursuant to which each Signatory Carrier absolutely, unconditionally and irrevocably agreed and promised to pay its pro-rata share of the Borrower's debt service obligations on the Prior Bonds. In connection with the issuance of the Series 2015 Bonds, the Borrower and the Signatory Carriers will enter into a Cost Sharing Agreement, dated the date hereof, which incorporates by reference all of the covenants, representations and warranties of the Use Agreements and pursuant to which each Signatory Carrier absolutely, unconditionally and irrevocably agrees and promises to pay its pro-rata share of the Borrower's payments due under the Loan Agreement and the Note.

We are of the opinion that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Series 2015 Bonds by the Issuer pursuant to the laws of the State of New York, including particularly the Act, and other applicable provisions of law, and the Bond Resolution, and under and pursuant to the provisions, terms and conditions of the Indenture.

2. The Issuer has the right and power to enter into each of the Indenture and the Loan Agreement, and each of the Indenture and the Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, is in full force and effect in accordance with its terms and is valid and binding upon the Issuer and enforceable against the Issuer in accordance with its terms, and no other authorization by the Issuer for either of the Indenture or the Loan Agreement is required.

3. The Indenture creates the valid pledge which it purports to create of the loan payments, revenues and receipts payable or receivable under the Loan Agreement and the Note and the moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Issuer has the right and power to authorize, execute and deliver the Series 2015 Bonds, and the Series 2015 Bonds have been duly authorized, executed and delivered by the Issuer. The Series 2015 Bonds are valid and binding special limited revenue obligations of the Issuer, are enforceable against the Issuer in accordance with their terms and the terms of the Indenture and are payable as to principal, Redemption Price and interest from moneys on deposit in the funds and accounts maintained under the Indenture. The Series 2015 Bonds are entitled to the benefits of the Indenture and the Act.

5. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2015 Bonds for interest on the Series 2015 Bonds to be and remain not includable in gross income of the owners thereof under Section 103 of the Code. Included among the continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Series 2015 Bonds and the Prior Bonds, restrictions on the use of the Facility, restrictions on the investment of

proceeds and other amounts and the rebate to the United States of certain earnings in respect of investments. Failure to comply with these continuing requirements may cause the interest on the Series 2015 Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Indenture, the Loan Agreement, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 of the Issuer and the Borrower dated the date hereof (the "Tax Certificate"), and accompanying documents, exhibits, and certificates, the Issuer and the Borrower have covenanted to comply with certain procedures, and they have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

Assuming continuing compliance by the Issuer and the Borrower (and their successors) with the covenants and the accuracy of the representations referenced above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2015 Bonds is not includable in gross income for federal income tax purposes; except that no opinion is expressed as to the exclusion of interest on any Series 2015 Bond from gross income for federal income tax purposes during the period that such Series 2015 Bond is held by a "substantial user" of the Facility or a "related person" within the meaning of Section 147(a) of the Code.

Interest on the Series 2015 Bonds is an "item of tax preference" to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations.

6. Assuming continuing compliance by the Issuer and the Borrower (and their successors) with the requirements of the Code that must be met in order for interest on the Series 2015 Bonds to be not includable in gross income for federal income tax purposes, interest on the Series 2015 Bonds is also not includable in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, under existing statutes and regulations; except that no opinion is expressed as to the non-inclusion of interest on any Series 2015 Bond in taxable income for purposes of such personal income taxes during the period that such Series 2015 Bond is held by a "substantial user" of the Facility or a "related person" within the meaning of Section 147(a) of the Code.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series 2015 Bonds.

We have examined one of the Series 2015 Bonds in fully registered form and, in our opinion, the form of said Series 2015 Bond is regular and proper.

The opinions expressed herein with respect to the Indenture, the Series 2015 Bonds and the Loan Agreement are qualified to the extent that enforceability of the Indenture, the Series 2015 Bonds and the Loan Agreement may be limited by any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws or equitable principles affecting creditors' rights generally or as to the availability of any particular remedy.

In rendering this opinion, we have reviewed the opinions of the General Counsel to the Borrower and Sidley Austin LLP, special counsel to the Borrower, each dated the date hereof, as to certain matters relating to the Borrower, and have assumed the due authorization, execution and delivery of the Loan Agreement, the Note and the Tax Certificate by the Borrower. We understand that you have received the opinions of the Borrower's General Counsel and its special counsel, Sidley Austin LLP, each dated the date hereof, with respect to such matters.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to the effect on the exclusion from gross income for federal tax purposes, and as to the effect on the non-inclusion in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, New York, of interest on the Series 2015 Bonds of any such change occurring, or such action or other action taken or not taken, after the date hereof, upon the advice or approval of bond counsel other than Winston & Strawn LLP. Furthermore, the opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2015 Bonds has concluded with their issuance, and we disclaim any obligations to update this letter.

Very truly yours,

APPENDIX G
FORM OF CONTINUING DISCLOSURE UNDERTAKING

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$167,260,000
NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION
SPECIAL FACILITY REVENUE REFUNDING BONDS, SERIES 2015
(TERMINAL ONE GROUP ASSOCIATION, L.P. PROJECT)

CONTINUING DISCLOSURE UNDERTAKING

To the extent that Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), requires the Underwriters to determine, as a condition to purchasing $167,260,000 principal amount of the New York Transportation Development Corporation Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project) (the "Bonds"), that Terminal One Group Association, L.P. ("TOGA") will covenant to the effect of this Undertaking, TOGA agrees with the record and beneficial owners from time to time of the Bonds ("Bondholders") as follows:

1. It will file with the Electronic Municipal Market Access System ("EMMA") (http://emma.msrb.org) established by the Municipal Securities Rulemaking Board (the "MSRB"):

(a). within 180 days after the end of TOGA's fiscal year and each subsequent fiscal year, financial information and operating data for the prior fiscal year of the type contained in the revenues table on page 8 of the Official Statement, dated December 15, 2015, relating to the Bonds (the "Official Statement"), together with evidence that TOGA is in compliance with its Rate Covenant under the Loan Agreement;

(b). within 180 days after the end of TOGA's fiscal year, TOGA's Audited Financial Statements, and, within 180 after the end of the fiscal year of each Signatory Carrier, the Audited Financial Statements of such Signatory Carrier; and

(c). in a timely manner (not in excess of 10 Business Days after the occurrence of any event described below), notice to EMMA of any of the following events with respect to the Bonds:

(i). principal and interest payment delinquencies;

(ii). non-payment related defaults if material;

(iii). unscheduled draws on credit enhancement that is provided by TOGA in connection with the issuance of the Bonds reflecting financial difficulties and substitution of credit providers, or their failure to perform;

(iv). unscheduled draws on debt service reserves reflecting financial difficulties;

(v). adverse tax opinions or the issuance by the IRS of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax

status of the Bonds or other material events affecting the tax status of the Bonds;

(vi). modifications to rights of Bondholders, if material;

(vii). bond calls, if material, and tender offers;

(viii). defeasances;

(ix). release, substitution, or sale of property securing repayment of the Bonds, if material;

(x). bankruptcy, insolvency, receivership, or similar event of TOGA or any of the Signatory Carriers;

(xi). consummation of a merger, consolidation, or acquisition involving TOGA or any of the Signatory Carriers, or sale of all or substantially all of the assets of TOGA or any of the Signatory Carriers, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

(xii). appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xiii). rating changes; and

(xiv). notice of any failure by TOGA to comply with clause (1), above.

With respect to event 1(c)(iii) TOGA does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless TOGA applies for or participates in obtaining the enhancement.

Event 1(c)(iv) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event 1(c)(iv) may not be applicable, since no "debt service reserves" will be established for the Bonds.

Event 1(c)(v) is relevant only to the extent interest on the Bonds is tax-exempt.

"Audited Financial Statements" means the audited financial statements of TOGA and each of the Signatory Carriers (or its parent's audited financial statements if the Signatory Carrier does not prepare separate audited financial statements). TOGA' s audited financial statements shall be prepared in accordance with accounting principles generally accepted in the United States as in effect from time to time. The audited financial statements of each Signatory Carrier shall be prepared in accordance with accounting principles generally accepted in its country of formation as in effect from time to time, or if applicable, International Financial Reporting Standards.

2. No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of any covenant herein or for any remedy for breach thereof, unless such Bondholder has filed with TOGA evidence of ownership and a written notice of and request to cure such breach, and TOGA has not complied within a reasonable time; provided, however, that any Proceeding challenging the adequacy of any information provided pursuant to

paragraphs (1) and (2) above may be brought only by the Trustee or the holders of a majority in aggregate principal amount of the Bonds affected thereby which at the time are outstanding. All Proceedings may be instituted only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the Outstanding Bonds benefited by the same or a substantially similar covenant. No remedy may be sought or granted other than specific performance of the covenant at issue.

3. Any amendment to this Undertaking will take effect only if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of TOGA or the Signatory Carriers, or type of business conducted; this Undertaking, as amended, would have complied with the requirements of the Rule at the time of sale of the Bonds to the Underwriters, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with TOGA (such as, but without limitation, TOGA's financial advisor or co-bond counsel); and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC at the date hereof, ceases to be in effect for any reason, and TOGA elects that this Undertaking will be deemed terminated or amended (as the case may be) accordingly.

4. (a) For the purposes of this Undertaking, a beneficial owner of a Bond includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such Bond, except that:

(1) a person will be deemed to be the beneficial owner of a Bond if that person has the right to acquire beneficial ownership of such Bond, as defined above in this paragraph 4(a), within 60 days, including but not limited to any right to acquire: (A) through the exercise of any option, warrant or right; (B) pursuant to the power to revoke a trust, discretionary account or similar arrangement; or (C) pursuant to the automatic termination of a trust, discretionary account or similar arrangement;

(2) a person who in the ordinary course of business is a pledgee of Bonds under a written pledge agreement will not be deemed to be the beneficial owner of such pledged Bonds until the pledgee has taken all formal steps to declare a default and determines that the power to dispose or to direct the disposition of such pledged Bonds will be exercised, provided that:

(i) the pledge agreement is bona fide;

(ii) the pledgee is:

(A) a broker or dealer registered under Section 15 of the 1934 Act;

(B) a bank as defined in Section 3(a)(6) of the 1934 Act;

(C) an insurance company as defined in Section 3(a)(19) of the 1934 Act;

(D) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended;

(E) an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, as amended;

(F) an employee benefit plan, or pension fund which is subject to the provisions of the Employee Retirement Income Security Act of 1974 or an endowment fund;

(G) a parent holding company, provided the aggregate amount held directly by the parent, and directly and indirectly by its subsidiaries which are not persons specified in items (A) through (F) of this clause (ii) does not exceed 1% of the Bonds; or

(H) a group, provided that all the members are persons specified in items (A) through (G) of this clause (ii); and

(iii) the pledge agreement, prior to default, does not grant to the pledgee the power to dispose or direct the disposition of the pledged Bonds, other than the grant of such power(s) pursuant to a pledge agreement under which credit is extended subject to Regulation T (12 CFR 220.1 to 220.8) and in which the pledgee is a broker or dealer registered under section 15 of the 1934 Act.

(b) any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described in paragraph 2 hereof.

5. Terms not defined herein are used as defined in the Rule or in the Official Statement.

Dated: December __, 2015

TERMINAL ONE GROUP ASSOCIATION, L. P.
By: Terminal One Management, Inc.,
General Partner

By: ________________________________

APPENDIX H
BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Issuer, the Trustee, TOGA or the Underwriters. The website referenced below is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the Series 2015 Bonds under a book-entry system with no physical distribution of the Series 2015 Bonds made to the public. The Series 2015 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee, TOGA and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of the Series 2015 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of

customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC (or its nominee), the Issuer, the Trustee or TOGA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the Series 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE ISSUER, THE TRUSTEE, TOGA AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE SERIES 2015 BONDS (A) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2015 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2015 BONDS, OR (C) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE ISSUER, THE TRUSTEE, TOGA OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2015 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE SERIES 2015 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2015 BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2015 BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer, the Trustee or TOGA. Under such

circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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New York Transportation Development Corporation • Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project)

New York Transportation Development Corporation

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