**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 2016 Bonds is not includable 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 2016 Bond during the period that such Series 2016 Bond is held by a "substantial user" of the facilities refinanced by the Series 2016 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 2016 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.*

# $844,210,000

# New York Transportation Development Corporation
# Special Facility Revenue Refunding Bonds, Series 2016
# (American Airlines, Inc. John F. Kennedy International Airport Project)

**Dated: Date of Delivery** **Maturities: As shown on the inside front cover**

**Long-Term Interest Rates: As shown on the inside front cover**

The Special Facility Revenue Refunding Bonds, Series 2016 (American Airlines, Inc. John F. Kennedy International Airport Project) (the "*Series 2016 Bonds*") of the New York Transportation Development Corporation (the "*Issuer*") are being issued to provide a portion of the funds to defease and redeem in full the Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) and the Special Facility Revenue Bonds, Series 2005 (American Airlines, Inc. John F. Kennedy International Airport Project) (collectively, the "*Prior Bonds*"), which were issued by the New York City Industrial Development Agency for the benefit of American Airlines, Inc. ("*American*"). Payment of the principal and purchase price of, premium, if any, and interest on the Series 2016 Bonds are payable from payments to be made by American to the Issuer pursuant to a loan agreement (the "*Loan Agreement*") between the Issuer and

American Airlines

Payment of the principal and purchase price of, premium, if any, and interest on the Series 2016 Bonds when due is unconditionally guaranteed by American and by

## American Airlines Group Inc.

pursuant to the terms of separate guaranties (the "*Guaranties*") from American and American Airlines Group Inc. ("*AAG*").

The Series 2016 Bonds will initially bear interest at the Long-Term Interest Rates shown on the inside front cover hereof, commencing on the date of initial issuance and delivery of the Series 2016 Bonds (the "*Offering Date*"), which is anticipated to be June 16, 2016, and will have the maturity dates shown on the inside front cover hereof.

On or after August 1, 2021, the Series 2016 Bonds may be subject to mandatory tender for purchase, in whole or in part, at a purchase price described herein, and any such Series 2016 Bonds may be remarketed and may bear interest at any of the interest rate modes permitted under the Indenture (as defined herein). **This Official Statement describes the Series 2016 Bonds only while they bear interest at the Long-Term Interest Rates set forth herein for the respective initial Long-Term Interest Rate Periods commencing on the Offering Date and ending on the day prior to the respective maturity dates of the Series 2016 Bonds.** The Series 2016 Bonds are also subject to optional redemption, extraordinary optional redemption and extraordinary mandatory redemption as described herein.

The Prior Bonds were originally issued primarily to provide funds to finance the demolition of two terminals and the development of a new air passenger terminal and related facilities at John F. Kennedy International Airport (the "*Airport*"). The terminal, which is now designated as Terminal 8, opened for service in 2007 and was completed in September 2008. The land on which the terminal is located, together with certain buildings, structures, improvements and related facilities on such land (the "*Premises*"), have been leased to American by the Port Authority of New York and New Jersey (the "*Port Authority*") pursuant to a lease agreement between American and the Port Authority (the "*Port Authority Lease*"). The Port Authority Lease is currently scheduled to expire on December 31, 2036, but is subject to earlier termination in certain circumstances. As security for the payment of the respective obligations of American and AAG under the Guaranties, American has granted to The Bank of New York Mellon (the "*Trustee*"), as leasehold mortgagee, and the Issuer, a leasehold mortgage in American's leasehold interest in the Premises under the Port Authority Lease pursuant to a Leasehold Mortgage and Security Agreement (the "*Leasehold Mortgage*"). The Issuer has assigned its interest in the Leasehold Mortgage to the Trustee pursuant to an Assignment of Leasehold Mortgage.

Purchases of the Series 2016 Bonds will be made only in book-entry form through DTC participants in denominations of $5,000 and integral multiples thereof, and no physical delivery of Series 2016 Bonds will be made to purchasers. Payments of principal and purchase price of, premium, if any, and interest on the Series 2016 Bonds will be made to purchasers by DTC through its participants.

The Series 2016 Bonds are special and limited revenue obligations of the Issuer, payable by the Issuer as to the principal and purchase price of, premium, if any, and interest on the Series 2016 Bonds, solely out of the Trust Estate (defined herein) pledged under the Indenture referred to herein. Neither the Series 2016 Bonds, the principal nor purchase price of, premium, if any, nor interest on, the Series 2016 Bonds, shall ever constitute a debt of the State of New York (the "*State*"), the Port Authority, the New York Job Development Authority (the "*JDA*"), the New York State Urban Development Corporation (d/b/a Empire State Development) ("*ESD*") or any other local development corporation, agency or authority of the State (other than the Issuer), and none of the State, the Port Authority, the JDA, ESD or any other local development corporation, agency or authority of the State (other than the Issuer) shall be liable on the Series 2016 Bonds. The Issuer has no power of taxation.

INVESTMENT IN THE SERIES 2016 BONDS INVOLVES SIGNIFICANT RISKS. SEE "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE GIVEN PARTICULAR ATTENTION BY PROSPECTIVE PURCHASERS OF THE SERIES 2016 BONDS.

This cover page contains certain information for quick reference only. It is not a summary of the Series 2016 Bonds. Investors must read this Official Statement and the Appendices hereto in their entirety to obtain information essential to making an informed investment decision.

---

*Winston & Strawn LLP & Hardwick Law Firm LLC, Co-Bond Counsel, will render their respective approving opinions in connection with the issuance of the Series 2016 Bonds, the proposed form of each of which is included herein as Appendix J. Certain legal matters will be passed upon by D. Seaton and Associates, P.A., P.C., Disclosure Counsel. Certain legal matters will be passed upon for the Port Authority by the Office of General Counsel of the Port Authority, for the Issuer by its General Counsel, for American and AAG by their counsel, Debevoise & Plimpton LLP and Latham & Watkins LLP and for the Underwriters by their counsel, O'Melveny & Myers LLP. It is expected that the Series 2016 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 16, 2016.*

**Citigroup** **BofA Merrill Lynch** **Barclays**

**Goldman, Sachs & Co.** **J.P. Morgan** **Morgan Stanley** **US Bancorp**

**Loop Capital Markets** **Rice Financial Products Company**

June 7, 2016

**$844,210,000**
**NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION**
**SPECIAL FACILITY REVENUE REFUNDING BONDS, SERIES 2016**
**(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)**

**$212,440,000 Series 2016 Serial Bonds**

| Maturity Dates | Amount | Interest Rate | Yield | CUSIP Number[1] |
|---|---|---|---|---|
| August 1, 2017 | $34,330,000 | 5.00% | 1.85% | 650116 BQ8 |
| August 1, 2018 | 41,325,000 | 5.00 | 2.10 | 650116 BR6 |
| August 1, 2019 | 43,390,000 | 5.00 | 2.50 | 650116 BS4 |
| August 1, 2020 | 45,560,000 | 5.00 | 2.75 | 650116 BT2 |
| August 1, 2021 | 47,835,000 | 5.00 | 2.90 | 650116 BM7 |

**$631,770,000 Series 2016 Term Bonds**

$277,550,000 5.00% Series 2016 Term Bond Due August 1, 2026, to Yield 3.30%[2], CUSIP Number[1] 650116 BN5
$354,220,000 5.00% Series 2016 Term Bond Due August 1, 2031, to Yield 3.50%[2], CUSIP Number[1] 650116 BP0

---

**(1)** CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2016 Bonds. None of the Issuer, American, AAG or the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 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 2016 Bonds.

**(2)** Yield calculated based on a call date of August 1, 2021.

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, American, AAG, 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, American or AAG since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by American or AAG to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of securities described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS, PROJECTIONS, ESTIMATES AND OTHER "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "MAY," "WILL," "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE," "FORECAST," "ASSUME" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH FORECASTS, PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE NOT INTENDED AS REPRESENTATIONS OF FACT OR GUARANTEES OF RESULTS. ANY SUCH FORWARD-LOOKING STATEMENTS INHERENTLY ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS OR PERFORMANCE TO DIFFER MATERIALLY FROM THOSE THAT HAVE BEEN FORECASTED, ESTIMATED OR PROJECTED. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE ISSUER, AMERICAN AND AAG DISCLAIM ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGES IN THEIR EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

CUSIP is a registered trademark of The American Bankers Association. CUSIP numbers were assigned to the Series 2016 Bonds by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided solely for the convenience of potential investors. None of the Issuer, American, AAG, or the Underwriters are responsible for the selection or accuracy of the CUSIP numbers set forth in this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the Issuer to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of securities described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

The Issuer has provided the information set forth under the heading "THE ISSUER" and makes no representation, warranty, or certification as to the adequacy or accuracy of the information set forth anywhere else in this Official Statement.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of Rule 15c2-12 (the "*Rule*") adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

The Underwriters have provided the following three paragraphs for inclusion in this Official Statement.

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

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. 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.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No broker, dealer, sales representative or any other person has been authorized by the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of securities described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

**TABLE OF CONTENTS**

**Page**

**TABLE OF CONTENTS**
**(continued)**

**Page**

**OFFICIAL STATEMENT**

**$844,210,000**

**NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION**
**SPECIAL FACILITY REVENUE REFUNDING BONDS, SERIES 2016**
**(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)**

## INTRODUCTORY STATEMENT

This Official Statement, including the cover page hereof, the Table of Contents and the Appendices, is provided to furnish information in connection with the issuance by the New York Transportation Development Corporation (the "*Issuer*") of its Special Facility Revenue Refunding Bonds, Series 2016 (American Airlines, Inc. John F. Kennedy International Airport Project), in the aggregate principal amount of $844,210,000 (the "*Series 2016 Bonds*"), to be dated the date of issuance thereof and authenticated by The Bank of New York Mellon, as Trustee (the "*Trustee*"). The Series 2016 Bonds will be issued and secured under and pursuant to an Indenture of Trust to be dated as of June 1, 2016, between the Issuer and Trustee (the "*Indenture*"). In connection with the issuance of the Series 2016 Bonds, American Airlines, Inc., a Delaware corporation ("*American*"), will enter into a Loan Agreement to be dated as of June 1, 2016 with the Issuer (as the same may be amended or supplemented, the "*Loan Agreement*"), pursuant to which the Issuer will loan the proceeds of the sale of the Series 2016 Bonds to American, and American will execute and deliver a Promissory Note (the "*Series 2016 Note*") in favor of the Issuer to evidence the obligations of American under the Loan Agreement to repay the loan. Pursuant to the Indenture, the Issuer will assign certain of its rights, title and interests in and to the Loan Agreement and the Series 2016 Note to the Trustee.

The Series 2016 Bonds are being issued to provide a portion of the funds to defease and redeem in full the outstanding (i) New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "*Prior Series 2002B Bonds*"), and (ii) New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (American Airlines, Inc. John F. Kennedy International Airport Project) (the "*Prior Series 2005 Bonds*," and together with the Prior Series 2002B Bonds, the "*Prior Bonds*").

**THE SERIES 2016 BONDS ARE SPECIAL AND LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE BY THE ISSUER AS TO THE PRINCIPAL AND PURCHASE PRICE OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2016 BONDS, SOLELY OUT OF THE TRUST ESTATE PLEDGED UNDER THE INDENTURE REFERRED TO HEREIN. NEITHER THE SERIES 2016 BONDS, THE PRINCIPAL NOR PURCHASE PRICE OF, PREMIUM, IF ANY, NOR INTEREST ON THE SERIES 2016 BONDS SHALL EVER CONSTITUTE A DEBT OF THE STATE OF NEW YORK (THE "*STATE*"), THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (THE "*PORT AUTHORITY*"), THE NEW YORK JOB DEVELOPMENT AUTHORITY (THE "*JDA*"), THE NEW YORK STATE URBAN DEVELOPMENT CORPORATION (D/B/A EMPIRE STATE DEVELOPMENT) ("*ESD*") OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER), AND NONE OF THE STATE, THE PORT AUTHORITY, THE JDA, ESD OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER) SHALL BE LIABLE ON THE SERIES 2016 BONDS. THE ISSUER HAS NO POWER OF TAXATION.**

The Prior Bonds were originally issued (A) to provide funds to finance a portion of the costs of the "*Redevelopment Project*," which consisted of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the "*Airport*") in Queens, New York, and (ii) the acquisition, construction and equipping of a new air passenger terminal at the Airport, currently designated as Terminal 8, together with related arrival and departure access ramps and a passenger tunnel connecting the remote concourse of the terminal with the main terminal (the "*Facility*") to be used and managed by American, (B) to fund debt service reserve funds for the Prior Bonds and (C) to pay certain costs of issuance of the Prior Bonds. The terminal opened for service in 2007 and was completed in September 2008. The land on which the terminal is located, together with the buildings, structures, improvements and related facilities on such land (the "*Premises*"), are owned by The City of New York (the "*City*") and are leased by the City to the Port Authority pursuant to an Amended and Restated Agreement of Lease of the Municipal Air Terminals dated November 24, 2004, as amended and supplemented from time to time, (the "*Basic*

*Lease*"). The Basic Lease is currently scheduled to expire on December 31, 2050, but is subject to earlier termination in certain circumstances**.** The Premises have been subleased by the Port Authority to American pursuant to an Agreement of Lease entered into as of August 1, 1976, as amended and restated in an Amended and Restated Lease dated as of December 22, 2000, as supplemented, amended or modified from time to time (the "*Port Authority Lease*"). The Port Authority Lease is currently scheduled to expire on December 31, 2036, but is subject to earlier termination in certain circumstances.

The Indenture will permit one or more series of additional bonds to be issued thereunder on a parity with the Series 2016 Bonds (the "*Additional Bonds*") for any or all of the following purposes: (i) providing for the financing or refinancing of the acquisition, construction or installation of additional improvements for incorporation into the Facility or any portion thereof, including the Expanded Terminal Work, (ii) providing funds in excess of the net proceeds of insurance and condemnation awards necessary to repair, relocate, replace, rebuild or restore the Facility or any portion thereof in the event of damage, destruction or taking by Eminent Domain and (iii) refunding in whole or in part any outstanding Bonds issued pursuant to the Indenture. In connection with any issuance of such Additional Bonds, the Issuer will make one or more additional loans to American by entering into one or more amendments to the Loan Agreement, which additional loans may be evidenced by one or more additional notes. The Series 2016 Bonds, together with any Additional Bonds, are referred to herein as the "*Bonds*." The aggregate amount of Bonds outstanding at any given time under the Indenture may not exceed $2,300,000,000.

Payments of principal and purchase price of, premium, if any, and interest on the Bonds (including the Series 2016 Bonds) will be guaranteed by American pursuant to a Guaranty from American to the Trustee to be dated as of June 1, 2016 (the "*American Guaranty*") and pursuant to a separate Guaranty from American Airlines Group Inc., a Delaware corporation ("*AAG*"), to the Trustee, to be dated as of June 1, 2016 (the "*AAG Guaranty*," and together with the American Guaranty the "*Guaranties*"). See "SECURITY FOR THE SERIES 2016 BONDS—The Guaranties" and APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES" for descriptions of certain terms of the Guaranties. See also "AMERICAN" for a description of how and when AMR Corporation became AAG.

As security for the payment of its obligations under the American Guaranty and the payment of AAG's obligations under the AAG Guaranty, American will grant to the Trustee, as leasehold mortgagee (the "*Leasehold Mortgagee*"), and the Issuer, a leasehold mortgage in American's interest in the Premises under the Port Authority Lease pursuant to a Leasehold Mortgage and Security Agreement to be dated as of June 1, 2016 (the "*Leasehold Mortgage*"). The Issuer will assign its interest in the Leasehold Mortgage to the Trustee pursuant to an Assignment of Leasehold Mortgage to be dated as of June 1, 2016 (the "*Assignment of Leasehold Mortgage*"). Additionally, the Leasehold Mortgagee and the Port Authority will enter into an Agreement to Enter Into a Reletting Agreement to be dated as of June 1, 2016 (the "*ATEIRA*"), pursuant to which the Port Authority will agree, subject to the satisfaction of certain requirements and significant payment obligations, all as set forth in the ATEIRA, to enter into the Reletting Agreement (in the form attached to the ATEIRA) with the Leasehold Mortgagee (the "*Reletting Agreement*"). See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—ATEIRA, Reletting Agreement and Reletting Rights."

The Leasehold Mortgagee will have the right, following a Leasehold Mortgage Default (as described herein), to foreclose American's interest in the Port Authority Lease, subject to the satisfaction of certain requirements and significant payment obligations, all as set forth in the Port Authority Lease and the Port Authority Consent. See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—Foreclosure of Leasehold Mortgage." The Leasehold Mortgagee will have a one-time right during the Foreclosure Period to select a single Approved Successor Lessee, subject to the approval of the Port Authority under the conditions set forth in the Port Authority Lease, to assume American's obligations under the Port Authority Lease upon removal of American. Upon any such assumption by an Approved Successor Lessee, the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will have no further interest in the Port Authority Lease. See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—Approved Successor Lessee During Foreclosure Period; Qualification Standards" and "—Right of Port Authority to Terminate ATEIRA" herein. It is anticipated that, prior to presenting a proposed Approved Successor Lessee to the Port Authority, the Leasehold Mortgagee would negotiate with such proposed Approved Successor Lessee to provide for payment of all or a portion of the debt service on the Bonds as a condition to assuming the Port Authority Lease. This could take the form of a one-time payment or ongoing

payments by such proposed Approved Successor Lessee (or some other form of payment) as the proposed Approved Successor Lessee and the Leasehold Mortgagee may agree at such time.

If such foreclosure is not completed within three years after the date that the Leasehold Mortgagee gives the Port Authority notice that it intends to foreclose the Leasehold Mortgage (the counting of such period to be stayed during a bankruptcy with respect to American as described herein), the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will have no further interest in the Port Authority Lease.

If (i) the foreclosure is completed within the above-mentioned three year period and no Approved Successor Lessee has been found to assume American's obligations under the Port Authority Lease, (ii) in connection with a bankruptcy proceeding with respect to American, either beginning prior to the commencement of the Foreclosure Period or staying the counting of the Foreclosure Period, the Port Authority Lease is rejected by American, or (iii) the Port Authority Lease is terminated by either party during the period that it is a month-to-month lease due to the occurrence of a Triggering Event (see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority"), the Port Authority Lease will terminate and the Leasehold Mortgagee may elect, subject to the satisfaction of certain requirements and significant payment obligations set forth in the ATEIRA, to require the Port Authority to execute the Reletting Agreement.

Under the Reletting Agreement, the Leasehold Mortgagee will have the right to present to the Port Authority one or more Approved Sublessees (as hereinafter defined) to occupy or lease all or portions of the Premises, subject to the approval of the Port Authority under the conditions set forth in the Reletting Agreement and subject to the satisfaction of certain significant ongoing payment obligations and other requirements. See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—ATEIRA, Reletting Agreement and Reletting Rights" and APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT." It is anticipated that, prior to presenting any proposed Approved Sublessee to the Port Authority, the Leasehold Mortgagee would negotiate with such proposed Approved Sublessee to provide for payment of all or a portion of the debt service on the Bonds as a condition to occupying or leasing all or a portion of the Premises. This could take the form of a one-time payment or ongoing payments by such proposed Approved Sublessee (or some other form of payment) as the proposed Approved Sublessee and the Leasehold Mortgagee may agree at such time.

If the Reletting Agreement has been executed under any of the circumstances described above, the Port Authority Lease will have terminated. Such termination would constitute an Event of Default under the Indenture, and the Series 2016 Bonds would then be subject to mandatory redemption without premium in full. Because American will not have paid the redemption price, it is anticipated that the Bonds would then be accelerated for nonpayment by the Trustee. Consequently, while the Reletting Agreement is in effect, the provisions of the Indenture regarding Events of Default will govern the payment of principal and interest on the Bonds and the other rights and remedies of Bondholders. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default."

A bankruptcy with respect to American could delay or impair the exercise of the Leasehold Mortgagee's rights. See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement" and "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

The Port Authority will consent to the Leasehold Mortgage in a Consent to Leasehold Mortgage Agreement among the Port Authority, American, AAG, the Issuer and the Trustee to be dated as of June 1, 2016 (the "*Port Authority Consent*").

The Series 2016 Bonds offered hereby will initially bear interest at the respective Long-Term Interest Rates shown on the inside front cover of this Official Statement, commencing on the date of initial issuance and delivery of the Series 2016 Bonds (the "*Offering Date*"), and interest will be payable on February 1, 2017 and on each August 1 and February 1 thereafter during the applicable Initial Long-Term Interest Rate Period, computed on the basis of a 360-day year consisting of twelve 30-day months.

On or after August 1, 2021, the Series 2016 Bonds may be subject to mandatory tender for purchase, in whole or in part, at the option of American at a purchase price described herein under the heading "THE SERIES 2016 BONDS—Redemption and Purchase Prior to Maturity—*Mandatory Tender for Purchase and Remarketing*," and any such Series 2016 Bonds may be remarketed in a different interest rate mode (*i.e.*, a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rate or new Long-Term Interest Rate), with the date of such repurchase and interest rate conversion constituting a "*Conversion Date*." **This Official Statement describes the Series 2016 Bonds only while they bear interest at the Long-Term Interest Rates set forth on the inside front cover of this Official Statement for the periods commencing on the Offering Date and ending upon a Conversion Date (or, if no such Conversion Date occurs, then on the day prior to the applicable maturity date of the Series 2016 Bonds) (each such period an "*Initial Long-Term Interest Rate Period*")**. Prospective purchasers of the Series 2016 Bonds bearing interest at rates other than the initial Long-Term Interest Rates during the Initial Long-Term Interest Rate Periods should not rely on this Official Statement.

The Series 2016 Bonds will also be subject to redemption or purchase prior to maturity as described under "THE SERIES 2016 BONDS—Redemption and Purchase Prior to Maturity."

The Series 2016 Bonds will be 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 acts as securities depository for the Series 2016 Bonds. Purchases of Series 2016 Bonds bearing interest at Long-Term Interest Rates will be made only in book-entry form through DTC participants in denominations of $5,000 or any integral multiple thereof, and no physical delivery of Bonds will be made to purchasers. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" shall mean Cede & Co., and shall not mean the beneficial owners of the Series 2016 Bonds. See "THE SERIES 2016 BONDS—Book-Entry-Only System."

Brief descriptions of the Issuer, the Series 2016 Bonds, the Indenture, the Loan Agreement, the Series 2016 Note, the Port Authority Lease, the Leasehold Mortgage, the ATEIRA, the Reletting Agreement, the Port Authority Consent and the Guaranties are included in this Official Statement. Appendix A to this Official Statement furnishes, or incorporates by reference, certain information with respect to American and AAG. Appendix B to this Official Statement contains certain definitions used herein and in the Appendices hereto. Appendix C to this Official Statement contains a summary of certain provisions of the Indenture. Appendix D to this Official Statement contains a summary of certain provisions of the Loan Agreement. Appendix E to this Official Statement contains a summary of certain provisions of the Guaranties. Appendix F to this Official Statement contains a summary of certain provisions of the Port Authority Lease. Appendix G to this Official Statement contains a summary of certain provisions of the Port Authority Consent. Appendix H to this Official Statement contains a summary of certain provisions of the Leasehold Mortgage. Appendix I to this Official Statement contains summaries of certain provisions of the ATEIRA and the Reletting Agreement. Appendix J to this Official Statement contains the proposed form of the opinions of each of Winston & Strawn LLP and the Hardwick Law Firm, LLC (collectively referred to herein as "*Co-Bond Counsel*") to be rendered in connection with the issuance of the Series 2016 Bonds. The descriptions in this Official Statement (including the Appendices hereto) of the Loan Agreement, the Series 2016 Note, the Indenture, the Guaranties, the Port Authority Lease, the Leasehold Mortgage, the Port Authority Consent, the ATEIRA and the Reletting Agreement are qualified in their entirety by reference to such documents, and the descriptions in this Official Statement (including the Appendices hereto) of the Series 2016 Bonds are qualified in their entirety 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 issuance period from the principal offices of the Underwriters and at the principal corporate trust office of the Trustee in New York, New York. All capitalized terms used herein (including in the Appendices) and not defined herein or in Appendix B hereto shall have the meanings set forth in the Indenture.

## THE ISSUER

The Issuer was created on October 30, 2015 under Section 1411 of the New York Not-For-Profit Corporation Law (the "*NFP-C Law*") by the JDA pursuant to its authority under the New York Public Authorities Law and the NFP-C Law. The Issuer had its organizational meeting on November 3, 2015.

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

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 | Former Deputy Director of State Operations for Policy | Governor | 2017 |
| Howard A. Zemsky | President and 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 and 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 SERIES 2016 BONDS ARE SPECIAL AND LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE BY THE ISSUER AS TO THE PRINCIPAL AND PURCHASE PRICE OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2016 BONDS, SOLELY OUT OF THE TRUST ESTATE PLEDGED UNDER THE INDENTURE REFERRED TO HEREIN. NEITHER THE SERIES 2016 BONDS, THE PRINCIPAL NOR PURCHASE PRICE OF, PREMIUM, IF ANY, NOR INTEREST ON THE SERIES 2016 BONDS, SHALL EVER CONSTITUTE A DEBT OF THE STATE, THE PORT AUTHORITY, THE JDA, ESD OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER), AND NONE OF THE STATE, THE PORT AUTHORITY, THE JDA, ESD OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER) SHALL BE LIABLE ON THE SERIES 2016 BONDS. THE ISSUER HAS NO POWER OF TAXATION.**

## AMERICAN

American was founded in 1934 and is a principal wholly-owned subsidiary of AAG, a Delaware corporation, formerly known as AMR Corporation ("*AMR*"). All of American's common stock is owned by AAG. American has hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. As of March 31, 2016, American operated 942 mainline aircraft. American is

supported by AAG's wholly-owned regional airline subsidiaries and third-party regional carriers operating as American Eagle. American is a founding member of the oneworld® alliance, whose members and members-elect serve nearly 1,000 destinations with 14,250 daily flights to 150 countries. American's cargo division provides a wide range of freight and mail services, with facilities and interline connections available across the globe.

On November 29, 2011, American, AAG and certain of AAG's other direct and indirect domestic subsidiaries (collectively, the "*Debtors*") filed voluntary petitions for relief (the "*Chapter 11 Cases*") under Chapter 11 of the United States Bankruptcy Code (the "*Bankruptcy Code*") in the United States Bankruptcy Court for the Southern District of New York (the "*Bankruptcy Court*"). On October 21, 2013, the Bankruptcy Court entered an order approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the "*Bankruptcy Plan*"). On December 9, 2013, the Debtors consummated their reorganization pursuant to the Bankruptcy Plan, principally through the transactions contemplated by an Agreement and Plan of Merger, dated as of February 13, 2013, by and among AMR, AMR Merger Sub, Inc. ("*Merger Sub*"), and US Airways Group, Inc. ("*US Airways Group*") pursuant to which Merger Sub merged with and into US Airways Group (the "*Merger*"), with US Airways Group surviving as a wholly-owned subsidiary of AMR following the Merger. Upon the closing of the Merger and emergence from Chapter 11, AMR changed its name to American Airlines Group Inc. and American and US Airways, Inc. ("*US Airways*") began moving toward operating under the single brand name of "American Airlines." In the second quarter of 2015, American and US Airways received a single operating certificate from the Federal Aviation Administration (the "*FAA*") for American and US Airways, marking a major milestone in the integration of the two airlines. On October 17, 2015, AAG completed its transition to a single reservations system, retiring the US Airways name and website. In addition, on December 30, 2015, US Airways merged with and into American with American as the surviving entity and US Airways ceased to exist as a legal entity.

AAG's and American's principal executive office is located at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. American's telephone number is 817-963-1234 and its Internet address is www.aa.com. Information contained on American's website is not and should not be deemed a part of this Official Statement.

American and AAG are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), and in accordance therewith, file reports and other information with the Securities and Exchange Commission (the "*Commission*"), which may be in the form of combined reports reflecting information about both American and AAG. Certain information with respect to American and AAG is furnished herein and in Appendix A hereto and incorporated therein by reference from materials on file with the Commission. See APPENDIX A—"AMERICAN AIRLINES, INC. AND AMERICAN AIRLINES GROUP INC." Such information has been provided by American and has not been independently verified by the Issuer or the Underwriters, and neither the Issuer nor the Underwriters make any representations or warranties, express or implied, as to the accuracy or completeness of such information.

## THE AIRPORT

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. Three hangars are used to provide aircraft maintenance and storage for aircraft parts and equipment. 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 in length from approximately 8,400 feet to 14,600 feet. On December 17, 2003, an automated light rail system ("*JFK AirTrain*") linking the terminals in the Central Terminal Area with each other and with existing transit lines in Jamaica, Queens and Howard Beach, Queens, respectively, became operational. A significant portion of the costs of the JFK AirTrain project have been provided through the application of passenger facility charges established under federal law. On September 24, 2015, the Board of Commissioners of the Port Authority took certain actions to authorize the Port Authority to enter into a lease agreement for the development and operation of a full-service hotel containing approximately 500 guest rooms at the site of the TWA Flight Center at the Airport. On November 13, 2015, the Port Authority and a developer,

Flight Center LLC, executed such lease agreement, which is being held in escrow pending completion of certain environmental approvals.

## THE REDEVELOPMENT PROJECT

The Prior Bonds were issued to finance a portion of the "*Redevelopment Project*," which consisted of the demolition of Terminals 8 and 9 at the Airport and the acquisition, construction and equipping of a new air passenger terminal at the Airport (the "*Terminal*"), currently designated as Terminal 8, together with related arrival and departure access ramps and a passenger tunnel connecting Concourse C of the Terminal with the main Terminal building.

The Terminal opened in 2007 and was completed in September 2008. It consists of an approximately 1.5 million square foot building containing a main terminal building and a remote concourse, which are linked by a 320-foot underground tunnel with moving walkways.

The Terminal currently contains a total of 35 aircraft gates: 27 aircraft gates for mainline aircraft, 3 aircraft gates for larger regional aircraft and 5 aircraft gates for smaller regional aircraft. All gates, including those designed for regional jets, feature passenger loading bridges. All 12 of the gates in the main terminal building and 7 of the gates at the remote concourse accommodate international arrivals. The Terminal also contains a Federal Inspection Service (customs and immigration) facility capable of accommodating more than 1,600 persons an hour.

The Terminal contains dozens of specialty stores occupying approximately 62,000 square feet of public concession space, consisting of retail, duty free, newsstand and food and beverage facilities and financial and passenger services facilities, including currency exchanges.

The Terminal is accessed by a two-level roadway—one for arrivals and the other for departures. The arrivals roadway features approximately 1,600 linear feet of curb frontage, and the departures roadway features approximately 1,200 linear feet of curb. The Terminal is also linked to other terminals at the Airport, the Airport's parking areas and the existing transit lines in Jamaica, Queens and Howard Beach, Queens by the JFK AirTrain.

## AMERICAN'S OPERATIONS AT THE AIRPORT

The Airport is one of American's hub airports and American currently serves 51 non-stop destinations, including 25 international destinations, from the Airport. The Airport is also home to American's Airbus 321-Transcon fleet, which are aircraft specially configured for transcontinental service with 10 first-class and 20 business-class lie-flat seats. The 321-Transcon aircraft fly up to 20 departures daily from the Airport and provide the only three-class service available from the New York area to Los Angeles and San Francisco. For the year ended December 31, 2015, American's revenue passenger traffic at the Airport was approximately 6.7 million passengers, representing approximately 13 percent of the Airport's total revenue passengers during that period. American estimates that during 2015, approximately 63 percent of enplaned and deplaned passengers on American's domestic flights operating at the Airport were local origin and destination passengers. Although data on the local/connecting traffic mix is not available for international service, American believes that the majority of American's enplaned and deplaned international passengers at the Airport during this period were local origination and destination passengers. The significant portion of local passengers on American's flights operating at the Airport indicates the importance of American's service at the Airport to New York area customers. Since the Airport is a slot-controlled airport, growth in terms of numbers of flight operations at the Airport is constrained. However, American's fleet plan involves increasing the size of the aircraft it operates across its system, including to the Airport. Therefore, modest growth in terms of the capacity of American's flight operations at the Airport is expected in 2016 as compared to 2015.

## PLAN OF REFUNDING AND APPLICATION OF BOND PROCEEDS

### Refunding of Prior Bonds

The Series 2016 Bonds are being issued to provide a portion of the funds required to defease and redeem in full the Prior Bonds. On the delivery date, the proceeds of the Series 2016 Bonds, together with other available funds, will be deposited in escrow with the trustee for the Prior Bonds in an amount sufficient to defease the outstanding Prior Bonds in full, prior to the redemption of such Prior Bonds on August 1, 2016.

### Sources and Uses of Funds

The following table sets forth the anticipated sources and uses of funds for the Series 2016 Bonds and other funds provided on the delivery date:

SOURCES OF FUNDS

| | |
|---|---|
| Par Amount of Series 2016 Bonds | $844,210,000 |
| Original Issue Premium | 62,416,356 |
| Additional Funds Provided by American | 63,405,150 |
| Transferred Fund Balances | 110,220,369 |
| Total | $1,080,251,875 |

USES OF FUNDS

| | |
|---|---|
| Deposits into two escrow accounts for defeasance of the Prior Bonds[1] | $1,068,760,934 |
| Costs of Issuance of Series 2016 Bonds[2] | $11,490,941 |
| Total | $1,080,251,875 |

1 The deposits into the applicable defeasance escrow accounts are calculated to be sufficient to pay the principal amount, premium and accrued interest on all of the outstanding Prior Series 2002B Bonds and Prior Series 2005 Bonds upon redemption of such Prior Bonds on August 1, 2016 (and such calculations have been verified by Grant Thornton LLP, verification agent).
2 Includes underwriting discount and other costs of issuance.

## THE SERIES 2016 BONDS

### General

The Series 2016 Bonds offered hereby will initially bear interest at the Long-Term Interest Rates set forth on the inside front cover of this Official Statement to the day prior to their respective maturity dates, subject to their prior redemption or purchase as described below under "—Redemption and Purchase Prior to Maturity." The Series 2016 Bonds are issuable in the form of fully registered bonds in denominations of $5,000 and any integral multiple thereof.

On or after August 1, 2021, each maturity of the Series 2016 Bonds having a final maturity later than August 1, 2021 may be subject to mandatory tender for purchase, in whole or in part, at the option of American. Any such Series 2016 Bonds that are repurchased may be remarketed in a different interest rate mode (*i.e.*, a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rate or new Long-Term Interest Rate). **This Official Statement describes the Series 2016 Bonds only while they bear interest at the Long-Term Interest Rates set forth on the inside front cover of this Official Statement for the respective Initial Long-Term Interest Rate Periods**. Prospective purchasers of the Series 2016 Bonds bearing interest at rates other than the initial Long-Term Interest Rates during the Initial Long-Term Interest Rate Periods should not rely on this Official Statement. The owners of the Series 2016 Bonds will **not** have the right to optionally tender their Series 2016 Bonds for purchase during the Initial Long-Term Interest Rate Periods.

The Series 2016 Bonds will bear interest during the Initial Long-Term Interest Rate Periods at the Long-Term Interest Rates set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds will accrue from the Offering Date and will be payable on February 1, 2017 and on each August 1 and February 1 thereafter (each, an "*Interest Payment Date*") to registered owners as of the 15th day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day (each, a "*Record Date*"). Interest on the Series 2016 Bonds offered hereby will be computed during the Initial Long-Term Interest Rate Periods on the basis of a year of 360 days consisting of twelve 30-day months and will be payable by check mailed or otherwise delivered to the registered owner thereof on the date that such interest is due at the address of such registered owner shown on the registration books kept by the Trustee, as Bond Registrar, as of the close of business on the Record Date or, in the case of Series 2016 Bonds owned by an owner that is the registered owner of Series 2016 Bonds of such series in an aggregate principal amount of at least $1,000,000 and that, prior to the Record Date immediately preceding any Interest Payment Date, shall have provided, or caused to be provided, to the Trustee, as Paying Agent, wire transfer instructions, by wire transfer. Payment of the principal and purchase price of, premium, if any, and interest on the Series 2016 Bonds shall be in lawful money of the United States of America. So long as Series 2016 Bonds are registered in the name of Cede & Co., registration of the Series 2016 Bonds and provisions relating to the delivery or presentation of the Series 2016 Bonds shall be handled in accordance with the procedures of DTC described below and the provisions of the Indenture relating to DTC's book-entry-only system described below.

**Book-Entry-Only System**

*General*. Only beneficial ownership interests of the Series 2016 Bonds will be available to purchasers through a book-entry-only system maintained by DTC (the "*Book-Entry-Only System*"). The following discussion will not apply to Series 2016 Bonds if issued in physical form due to the discontinuance of the Book-Entry-Only System. See "*—Discontinuance of Book-Entry-Only System.*"

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) and will be deposited with DTC. One fully registered bond certificate will be issued for each maturity of the Series 2016 Bonds, in the aggregate principal amount of such maturity of the Series 2016 Bonds, provided that if the principal amount of the Series 2016 Bonds of such maturity is greater than $500,000,000, one typewritten bond shall be issued for each increment of $500,000,000 and for any remaining increment that is less than $500,000,000.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. 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, including 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*," and, together with the Direct Participants, the "*Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each 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 2016 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 Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued. See "*—Discontinuance of Book-Entry-Only System.*"

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC will be 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 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2016 Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption and mandatory tender notices shall be sent to DTC. If less than all of a particular maturity of Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2016 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an "*Omnibus Proxy*" to the Issuer as soon as possible after the record date, which assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and purchase price of, premium, if any, and interest on the Series 2016 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 Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, American, AAG or the

Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and purchase price of, premium, if any, and interest on the Series 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The requirement for physical delivery of Series 2016 Bonds in connection with a mandatory tender for purchase will be deemed satisfied when the ownership rights in the Series 2016 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2016 Bonds to the Underwriters' DTC accounts.

*Discontinuance of Book-Entry-Only System*. Certificates representing replacement Series 2016 Bonds may be issued directly to Beneficial Owners of such Series 2016 Bonds, but only in the event that (a) DTC determines to discontinue providing its service with respect to the Series 2016 Bonds at any time by giving reasonable notice and all relevant information on the Beneficial Owners of the Series 2016 Bonds to the Issuer and the Trustee, who shall in turn promptly notify American and AAG in writing of such discontinuation; *provided* if there is no successor Depository appointed by the Issuer, the Trustee shall authenticate and deliver Series 2016 Bonds to the Beneficial Owners thereof; or (b) American determines that use of the services of DTC or a successor securities depository is not in American's best interest, in which event the Issuer, at the direction of American, shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Exchange Act, notify the securities depository of the appointment of such successor securities depository and the Bond Registrar shall transfer one or more separate Series 2016 Bonds to such successor securities depository, or (ii) notify the Depository and Beneficial Owners identified by the Depository of the availability through the Depository of Series 2016 Bonds and the Bond Registrar shall transfer one or more separate Series 2016 Bonds to Beneficial Owners identified by the Depository as having Series 2016 Bonds credited to their accounts. In any such event, the Series 2016 Bonds shall no longer be restricted to being registered in the registration books in the name of the Depository, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Series 2016 Bonds shall designate, in accordance with the provisions of the Indenture.

Beneficial Owners have no right to a book-entry system or a depository for the Series 2016 Bonds.

If the Series 2016 Bonds are issued in physical form due to the discontinuance of the Book-Entry-Only System, the provisions of the Indenture with respect to payment and registration of the Series 2016 Bonds which are not in the Book-Entry-Only System will apply.

*Use of Certain Terms in Other Sections of This Official Statement.* In reading this Official Statement it should be understood that while the Series 2016 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for whom a Participant acquires an interest in the Series 2016 Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (b) except as described above, notices that are to be given to registered owners will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters, the Issuer, American or AAG.

**Redemption and Purchase Prior to Maturity**

*Optional Redemption During Initial Long-Term Interest Rate Period*. The Series 2016 Bonds maturing on or before August 1, 2021 are not subject to optional redemption prior to maturity. The Series 2016 Bonds maturing after August 1, 2021 will be subject to redemption in whole or in part on any date on or after August 1, 2021, at the option of the Issuer at the direction of American, from payments under the Loan Agreement, at a redemption price equal to 100% of the unpaid principal amount of the Series 2016 Bonds to be redeemed plus accrued but unpaid interest, if any, to the date of redemption and without premium, in the manner and subject to the provisions of the Indenture.

*Extraordinary Optional Redemption Without Premium.* The Series 2016 Bonds will be subject to extraordinary optional redemption prior to maturity, at the option of the Issuer (which option, for purposes of clause (2) below, shall be exercised upon the giving of notice by American of its intention to prepay the loan under the Loan Agreement with Net Condemnation Proceeds for such purpose), as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2016 Bonds, together with accrued interest to the date of redemption, and without premium, if either of the following events shall have occurred: (1) American shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon American with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; (2) all or substantially all of the Facility shall have been condemned or taken by Eminent Domain or have been sold under a reasonably comprehended threat of condemnation or the taking by Eminent Domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

*Mandatory Redemption Without Premium Upon the Release of a Portion of the Facility*. In the event that any portion of the Facility is released from the Port Authority Lease, and such release constitutes a Major Release, the Series 2016 Bonds (together with all other Bonds) shall be subject to mandatory redemption (pro rata among series) in an aggregate principal amount (rounded down to the nearest $5,000) approximately equal to the Release Price. The redemption price of any Series 2016 Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The particular Series 2016 Bonds to be redeemed shall be determined by American.

*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability.* The Series 2016 Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a redemption price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2016 Bonds being redeemed, together with accrued interest to the date of redemption, and without premium within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or Beneficial Owner of the Series 2016 Bonds or American of a Determination of Taxability, as defined below. Payment of such redemption price with respect to the applicable Series 2016 Bonds shall constitute the full and complete payment and satisfaction to the Holders for any claim, damages, costs or expenses arising out of such Determination of Taxability. All of the Series 2016 Bonds shall be redeemed upon a Determination of Taxability, unless, in the Opinion of Bond Counsel, redemption of a portion of the Series 2016 Bonds would have the result that interest payable on the remaining Series 2016 Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or Beneficial Owner of a Series 2016 Bond, other than a Holder or Beneficial Owner that is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed. The Series 2016 Bonds to be redeemed in part as provided in this paragraph shall be determined by American.

Notwithstanding the foregoing, any Holder may direct the Trustee not to redeem all or a portion of its Series 2016 Bonds upon the occurrence of a Determination of Taxability, if such Series 2016 Bonds or portions thereof not to be redeemed will be in an Authorized Denomination, by delivering to the Trustee at its principal office for delivery of notices on or prior to the second Business Day prior to the date of redemption an instrument that (A) states that such person is a Holder of such Series 2016 Bonds and specifies the denomination of such Series 2016 Bonds and the CUSIP number thereof, (B) states that the Holder has knowledge that a Determination of Taxability has occurred with respect to such Series 2016 Bonds and that interest received with respect to such Series 2016 Bonds may be includible in the gross income of the holder for federal income tax purposes and (C) directs the Trustee not to redeem such Series 2016 Bonds. Once the Trustee has received such notice in a timely fashion, such Series 2016 Bonds will never again be subject to mandatory redemption as described under this caption.

"*Determination of Taxability*" means (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which American has participated or has been given the opportunity to participate, and which ruling or memorandum American, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (b) a final determination from which no further right of appeal exists

of any court of competent jurisdiction in the United States in a proceeding in which American has participated or has been a party, or has been given the opportunity to participate or be a party or (c) the delivery to the Issuer and American of an Opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by American to observe any covenant or agreement of American in the Loan Agreement or any applicable tax certificate or the inaccuracy of any American representation or warranty therein, or any action taken by the Port Authority or any other person with respect to the Premises, the interest payable on the Bonds is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person that is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; provided, however, that no such Determination of Taxability described in (a) or (b) above shall be considered to exist unless (i) the registered or Beneficial Owner or former registered or Beneficial Owner of such Bonds involved in such proceeding or action (A) gives American and the Trustee prompt notice of the commencement thereof and (B) (if American agrees to pay all expenses in connection therewith) offers American the opportunity to control unconditionally the defense thereof and (ii) either (A) American does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) American shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which American determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if American gives the Issuer prompt written notice of its intent to obtain (at American's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) above delivers to the Issuer an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Issuer and experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (c) above does not adversely affect the exclusion of interest on the Bonds from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of American in the second opinion); provided, further, that no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes, or if the events that would otherwise give rise to a Determination of Taxability are the result of a change in the Code or regulations under the Code adopted and becoming effective after the date of issuance of the applicable Bonds.

*Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2016 Bonds*. The Series 2016 Bonds shall be subject to extraordinary optional redemption by the Issuer, at the direction of American, in whole or in part on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if American shall have delivered to the Trustee and the Issuer an Opinion of Bond Counsel, addressed to the Trustee and the Issuer substantially to the effect that (i) a failure so to redeem the Series 2016 Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2016 Bonds from the gross income of the holders pursuant to Section 103 of the Code and (ii) redemption of the Series 2016 Bonds in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code. The Series 2016 Bonds to be redeemed in part as provided in this paragraph shall be determined by American.

*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's Right to Terminate the Leasehold Mortgage*. The Series 2016 Bonds shall be subject to extraordinary mandatory redemption prior to maturity, as a whole only, on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium to the extent and as soon as practical following the Trustee's receipt of any monies as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(o) of the Port Authority Lease. See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—Conditions Precedent to Foreclosure—Right of Port Authority to Terminate the Leasehold Mortgage" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—Port Authority Right to Terminate Leasehold Mortgage."

*Mandatory Sinking Fund Redemption*. The Series 2016 Bonds maturing on August 1, 2026 will be subject to redemption by lot, in such manner as the Trustee determines, on August 1 of each year, beginning August 1, 2022, in the Sinking Fund Requirements set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

| August 1 of the year | Sinking Fund Requirement |
|---|---|
| 2022 | $50,230,000 |
| 2023 | 52,740,000 |
| 2024 | 55,380,000 |
| 2025 | 58,145,000 |
| 2026* | 61,055,000 |

* Stated maturity.

The Series 2016 Bonds maturing on August 1, 2031 will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2027, in the Sinking Fund Requirement set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

| August 1 of the year | Sinking Fund Requirement |
|---|---|
| 2027 | $64,105,000 |
| 2028 | 67,310,000 |
| 2029 | 70,675,000 |
| 2030 | 74,210,000 |
| 2031* | 77,920,000 |

* Stated maturity.

At its option, to be exercised on or before the 45th day next preceding any mandatory Redemption Date for Bonds due to a Sinking Fund Requirement, American may deliver to the Trustee for cancellation Series 2016 Bonds of the appropriate maturity in any aggregate principal amount that have been purchased by American in the open market. Each Series 2016 Bond so delivered shall be credited by the Trustee at 100% of the principal amount thereof against the Sinking Fund Requirement for the Series 2016 Bonds on such mandatory Redemption Date in such chronological order as shall be directed in writing by American; and any excess of such amount shall be credited against future Sinking Fund Requirements in reverse chronological order. American will, on or before the 45th day preceding each mandatory scheduled sinking fund Redemption Date, furnish the Trustee with a certificate stating the extent to which the provisions of the first sentence of this paragraph are to be availed of with respect to such Redemption Date; and unless such certificate is so timely furnished to the Trustee, the mandatory redemption requirements for such mandatory Redemption Date shall not be reduced under the provisions of this paragraph.

*Selection of Series 2016 Bonds to be Redeemed.* In the event of redemption of less than all the outstanding Series 2016 Bonds of the same maturity, the particular Series 2016 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that Series 2016 Bonds of a maturity to be redeemed from Sinking Fund Requirements shall be selected by lot. The portion of any Series 2016 Bond to be redeemed in part shall be an Authorized Denomination and, in selecting a Series 2016 Bond for redemption in part, the Trustee shall treat that Series 2016 Bond as representing that number of Series 2016 Bonds that is obtained by dividing the principal amount of such registered Series 2016 Bond by the Authorized Denomination (referred to below as a "*unit*") then issuable rounded down to the integral multiple of such minimum denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2016 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Series 2016 Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the redemption price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Series 2016 Bond or Series 2016 Bonds of the same maturity in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Series 2016 Bond. New Series 2016 Bonds of the same

maturity representing the unredeemed balance of the principal amount of such Series 2016 Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Series 2016 Bond of a denomination greater than a unit shall fail to present such Series 2016 Bond to the Trustee for payment and exchange as aforesaid, such Series 2016 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

*Notice of Redemption*. The Trustee shall give notice of any redemption of Series 2016 Bonds 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 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 2016 Bonds or portions thereof to be payable and, if less than all of the Series 2016 Bonds of any maturity are to be redeemed, the numbers of such Series 2016 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 2016 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, shall, (i) deliver such notice by Electronic Means for so long as the Series 2016 Bonds are Book-Entry Bonds and, in all other cases, by first-class mail, or facsimile confirmed by first-class mail, not more than 45 nor less than 20 days prior to the date fixed for redemption to the registered owners of any such Series 2016 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 2016 Bonds, and (ii) cause notice of such redemption to be submitted to the MSRB's EMMA system. Any such notice shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. With respect to any optional redemption of any Series 2016 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, redemption price, if any, and interest on the Series 2016 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Series 2016 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall, within one Business Day, give notice to the registered owners of the applicable Series 2016 Bonds, in the manner in which the notice of redemption was given, that such moneys were not so received. In the event of a postal strike, the Trustee shall give notice by overnight courier (if available) or, in the absence of the availability of overnight courier, by Electronic Means.

*Mandatory Tender for Purchase and Remarketing*. The Series 2016 Bonds maturing after August 1, 2021 may be subject to mandatory tender for purchase at any time after such date, in whole or in part, at the option of American pursuant to the Indenture at a purchase price which, together with accrued but unpaid interest, is equal to the redemption price that would be due if the applicable Series 2016 Bonds were redeemed on the applicable mandatory purchase date, as described under "*—Optional Redemption at the Direction of American*" above. Any such Series 2016 Bonds that are repurchased may be remarketed in a different interest rate mode (*i.e.*, a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rate or new Long-Term Interest Rate), with the date of such repurchase and interest rate conversion constituting a Conversion Date. Owners of the Series 2016 Bonds will not have any option or right to retain any Series 2016 Bonds that are subject to mandatory tender for purchase.

Notice of any mandatory tender described in the preceding paragraph shall be given by the Trustee to the owners of Series 2016 Bonds affected thereby by first-class mail not less than 15 days prior to such mandatory tender date. When the Book-Entry-Only System is not in effect, an owner of a Series 2016 Bond must deliver to the Tender Agent the Series 2016 Bond subject to mandatory tender (accompanied by an instrument of transfer, in form satisfactory to such Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed as provided in the Indenture) on the purchase date by 12:00 P.M. New York City time. Delivery of a Beneficial Owner's Series 2016 Bond while Cede & Co. is the sole registered owner of the Series 2016 Bonds shall occur when the ownership rights in such Series 2016 Bond are transferred by a Direct Participant to the Tender Agent on DTC's records. In the event any such Series 2016 Bond is delivered after 12:00 P.M. New York City time, on such date, payment of the purchase price of such Series 2016 Bond need not be made until the

Business Day following the date of delivery of such Series 2016 Bond, but such Series 2016 Bond shall nonetheless be deemed to be an Undelivered Bond (defined below) and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

If an owner of a Series 2016 Bond subject to mandatory tender shall fail to deliver such Series 2016 Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 2016 Bond properly endorsed, or if the Book-Entry-Only System is in effect, shall fail to cause its beneficial ownership to be transferred to such Tender Agent on the records of DTC, and monies sufficient to pay the purchase price thereof are on deposit with such Tender Agent for such purpose, such Series 2016 Bond shall constitute an "*Undelivered Bond*." If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery (i) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (ii) interest shall no longer accrue thereon; and (iii) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the Tender Agent for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its principal office for delivery of Series 2016 Bonds.

The purchase price of any remarketed Series 2016 Bonds will be paid (i) from the proceeds of the remarketing of such Series 2016 Bonds by the remarketing agent and (ii) if such remarketing proceeds are insufficient, from monies provided by American under the Loan Agreement or the American Guaranty or by AAG under the AAG Guaranty.

## SECURITY FOR THE SERIES 2016 BONDS

### The Indenture

In the Indenture, the Issuer will assign to the Trustee all right, title and interest of the Issuer in and to the Loan Agreement and the Series 2016 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. In addition, the Series 2016 Bonds, along with any Additional Bonds, will be secured by all moneys and securities on deposit in accounts held under the Indenture, provided, however, that any amounts held with respect to a Credit Facility for a series of Bonds shall be pledged solely to such series of Bonds secured by such Credit Facility, and excluding (i) any Rebate Fund or any account therein (which will be held solely to pay any amounts required to be paid to the United States Treasury) and (ii) any Bond Purchase Fund or any account therein created under the Indenture (which will be held solely for the benefit of the owners of Bonds subject to tender).

Under the Indenture, the Trustee will have only the right to enforce the obligation of American to pay loan repayments sufficient to enable the Issuer to pay the principal and purchase price of, premium, if any, and interest on the Bonds and to accelerate and collect the loan repayments payable by American under the Loan Agreement. Pursuant to the Indenture, each holder of the Bonds will acknowledge that none of the Issuer, the Bondholders or the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall (except as described above) have any interest in the Facility or the Port Authority Lease (including but not limited to, any rights to perform the rights or obligations of American under the Port Authority Lease (except for those rights conveyed pursuant to the Leasehold Mortgage, the ATEIRA, the Reletting Agreement (if executed) or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Facility**,** the Redevelopment Project or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "*Act*"), (iii) the Real Property Actions and Proceedings Law of the State of New York, or (iv) the Real Property Law of the State of New York or otherwise. Further, under the Indenture, each Bondholder will acknowledge that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Facility or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Redevelopment Project (other than the interests, rights and remedies granted

to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage, the ATEIRA, the Reletting Agreement (if executed) or Section 92).

Pursuant to the Indenture, upon an Event of Default thereunder, the Trustee will have a first right of payment, prior to payment on account of the principal of or interest on any Bonds, upon the moneys held or received by it pursuant to the Indenture for the payment of its compensation and expenses and for the payment of advances reasonably and necessarily made or incurred by it under the Indenture.

The Indenture will permit one or more series of Additional Bonds to be issued thereunder on a parity with the Series 2016 Bonds for any or all of the following purposes: (i) providing for the financing or refinancing of the acquisition, construction or installation of additional improvements for incorporation into the Facility or any portion thereof, including the Expanded Terminal Work, (ii) providing funds in excess of the net proceeds of insurance and condemnation awards necessary to repair, relocate, replace, rebuild or restore the Facility or any portion thereof in the event of damage, destruction or taking by Eminent Domain and (iii) to refund Outstanding Bonds in accordance with the terms of the Indenture. In connection with any issuance of such Additional Bonds, the Issuer will make one or more additional loans to American by entering into one or more amendments to the Loan Agreement, which additional loans may be evidenced by one or more additional notes. The aggregate amount of Bonds issued under the Indenture may not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Additional Bonds."

**THE SERIES 2016 BONDS ARE SPECIAL AND LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE BY THE ISSUER AS TO THE PRINCIPAL AND PURCHASE PRICE OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2016 BONDS SOLELY OUT OF THE TRUST ESTATE PLEDGED UNDER THE INDENTURE. NEITHER THE SERIES 2016 BONDS, THE PRINCIPAL NOR PURCHASE PRICE OF, PREMIUM, IF ANY, NOR INTEREST ON THE SERIES 2016 BONDS SHALL EVER CONSTITUTE A DEBT OF THE STATE, THE JDA, ESD OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER), AND NONE OF THE STATE, THE JDA, ESD OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER) SHALL BE LIABLE ON THE SERIES 2016 BONDS. THE ISSUER HAS NO POWER OF TAXATION.**

**The Loan Agreement**

The primary source for the payment of the principal and purchase price of, premium, if any, and interest on the Bonds will be the payments by American under the Loan Agreement. American will be obligated to pay directly to the Trustee, as assignee of the Issuer under the Indenture, payments under the Loan Agreement in an amount equal to principal and purchase price of, premium, if any, and interest on the Bonds (including the Series 2016 Bonds), when due. The obligations of American under the Loan Agreement will be absolute and unconditional obligations of American. The Loan Agreement will not contain any restriction on the ability of American to incur debt, to declare dividends or, except as described in APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT—Dissolution or Merger of the Borrower," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

**The Guaranties**

The owners of the Bonds (including the Series 2016 Bonds) will be entitled to the benefits of the American Guaranty and the AAG Guaranty, pursuant to which American and AAG (formerly known as AMR Corporation), respectively, will unconditionally guarantee to the Trustee for the benefit of the owners of all Bonds payment of the principal and purchase price of, premium, if any, and interest on the Bonds when and as due and payable. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES." See also "AMERICAN" for a description of how and when AMR Corporation became AAG.

Neither the AAG Guaranty nor the American Guaranty will contain any restriction on the ability of AAG or American to incur debt, to declare dividends or, except as described in APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT—Dissolution or Merger of the Borrower" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

**The Leasehold Mortgage, the ATEIRA and the Reletting Agreement**

As security for payment of its obligations under the American Guaranty and AAG's obligations under the AAG Guaranty, American will execute, deliver and cause to be recorded the Leasehold Mortgage. In addition, the Port Authority will enter into the ATEIRA, pursuant to which the Port Authority will agree to enter into the Reletting Agreement with the Leasehold Mortgagee, if (i)(A) a Leasehold Mortgage Default occurs, and either (I) foreclosure of the Leasehold Mortgage occurs within three years of the date the Leasehold Mortgagee gives notice to the Port Authority that it intends to foreclose the Leasehold Mortgage (the counting of such period to be stayed during a bankruptcy with respect to American, as described herein), or (II) in connection with a bankruptcy proceeding with respect to American, either beginning prior to the commencement of the Foreclosure Period, or staying the counting of the Foreclosure Period as described herein, the Port Authority Lease is rejected by American, or (B) the Port Authority Lease is terminated by either party during the period that it is a month-to-month lease due to the occurrence of a Triggering Event (see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority") and (ii) the Leasehold Mortgagee meets the requirements and significant payment obligations contained in the ATEIRA. See "*—ATEIRA, Reletting Agreement and Reletting Rights*" below.

*Leasehold Mortgage*. The Leasehold Mortgagee, subject to the satisfaction of certain requirements and significant payment obligations, all as set forth in the Port Authority Lease and the Leasehold Mortgage as described herein, will have the right following a Leasehold Mortgage Default as described herein to foreclose American's interest in the Port Authority Lease. If such foreclosure is not completed within three years after the date that the Leasehold Mortgagee gives the Port Authority notice that it intends to foreclose the Leasehold Mortgage (the counting of such period to be stayed during a bankruptcy with respect to American as described herein), the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will have no further interest in the Port Authority Lease.

During the Foreclosure Period, the Leasehold Mortgagee will have a one-time right to select a single Approved Successor Lessee, subject to the approval of the Port Authority under the conditions set forth in the Port Authority Lease, to assume American's obligations under the Port Authority Lease upon removal of American. Upon such assumption by the Approved Successor Lessee, the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will have no further interest in the Port Authority Lease. See "*—Approved Successor Lessee During Foreclosure Period; Qualification Standards*" and "*—Right of Port Authority to Terminate ATEIRA*" below.

If (i) the foreclosure is completed within the above-mentioned three-year period and no Approved Successor Lessee has been found to assume American's obligations under the Port Authority Lease, (ii) in connection with a bankruptcy proceeding with respect to American, either beginning prior to the commencement of the Foreclosure Period or staying the counting of the Foreclosure Period, the Port Authority Lease is rejected by American, or (iii) the Port Authority Lease is terminated by either party during the period that it is a month-to-month lease due to the occurrence of a Triggering Event (see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority"), the Port Authority Lease will terminate and the Leasehold Mortgagee may elect, subject to the satisfaction of certain requirements and significant payment obligations set forth in the ATEIRA, to require the Port Authority to execute the Reletting Agreement pursuant to which the Leasehold Mortgagee may exercise its Reletting Rights. See "*—ATEIRA, Reletting Agreement and Reletting Rights*" below. A bankruptcy with respect to American could delay or impair the exercise of the Leasehold Mortgagee's rights. See "*—Certain Bankruptcy Matters*" below and "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" and "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the ATEIRA and the Reletting Agreement."

**The following discussion describes the conditions set forth in the Port Authority Lease that must be satisfied before the Leasehold Mortgage can be foreclosed.**

*Foreclosure of Leasehold Mortgage*. Upon the occurrence and continuation of a Leasehold Mortgage Default as described below, the Leasehold Mortgagee, acting on behalf of the Bondholders, may foreclose upon the Leasehold Mortgage by seeking to exclude American from possession of the Premises, if necessary.

The "events of default" under the Leasehold Mortgage (each a "*Leasehold Mortgage Default*") will include the occurrence of:

(a) the Leasehold Mortgagee's receipt of a notice from the Port Authority to the effect that American is in default under the Port Authority Lease and that the Port Authority has elected to terminate the Port Authority Lease pursuant to its terms (see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term") (a "*Lease Default*");

(b) (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture (a "*Bonds Default*"); or

(c) the later of (i) the date of rejection by American of the Port Authority Lease as set forth in a final, nonappealable order of a bankruptcy court, and (ii) the date such an order of a bankruptcy court becomes final and nonappealable (a "*Bankruptcy Rejection Date*").

*Conditions Precedent to Foreclosure.* The Port Authority may not terminate the Port Authority Lease so long as American's interest in the Premises is encumbered by the Leasehold Mortgage (except for a termination by the Port Authority of the Port Authority Lease during the period that it is a month-to-month lease due to the occurrence of a Triggering Event as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority") without giving the Leasehold Mortgagee notice and the opportunity to cure as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Foreclosure Rights." To preserve the effectiveness of the Leasehold Mortgage following any Leasehold Mortgage Default, the Leasehold Mortgagee must satisfy certain requirements. **If any of these requirements is not satisfied or complied with by the Leasehold Mortgagee in a timely manner, the Port Authority Lease, the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will be forever precluded from foreclosing upon the Leasehold Mortgage and exercising its Reletting Rights under the Reletting Agreement.**

1. *Notice*. Within 30 days (which period can be extended to a total of 150 days) after a Leasehold Mortgage Default, the Leasehold Mortgagee must give notice to the Port Authority of its intent to foreclose the Leasehold Mortgage (the "*Foreclosure Notice*"). The date of actual service on the Port Authority of the Foreclosure Notice starts the Foreclosure Period (as defined below).

2. *Foreclosure Proceedings and Removal of American*. The Leasehold Mortgagee must complete the foreclosure proceedings within a 1,095-day period following the service upon the Port Authority of the Foreclosure Notice (the "*Foreclosure Period*"). If American does not agree voluntarily to vacate the Premises, the Leasehold Mortgagee must promptly, diligently and in good faith commence, continue and seek to complete foreclosure proceedings and diligently pursue such proceedings to secure American's removal from the Premises, if necessary.

If such foreclosure is not completed within the Foreclosure Period (the counting of such period to be stayed during a bankruptcy with respect to American as described herein), the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will have no further interest in the Port Authority Lease. **No assurance can be given that the Leasehold Mortgagee will have sufficient time to complete any necessary foreclosure proceedings during the Foreclosure Period. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Foreclosure Period Payments.* Except as described below under "—*Certain Bankruptcy Matters*," to preserve the effectiveness of the Leasehold Mortgage upon the commencement of the Foreclosure Period the Leasehold Mortgagee must pay to the Port Authority all amounts due and owing to the Port Authority under the Port Authority Lease to the extent such amounts have accrued for any and all periods up to the commencement of the

Foreclosure Period (which is the date the Foreclosure Notice is actually served on the Port Authority) and not previously paid to the Port Authority (the "*Leasehold Mortgagee's Foreclosure Period Commencement Payments*"). During the continuation of the Foreclosure Period, the Leasehold Mortgagee must pay to the Port Authority all amounts due and owing to the Port Authority under the Port Authority Lease on a current basis as the same become due and payable commencing as of the first day of the Foreclosure Period and not previously paid to the Port Authority (the "*Leasehold Mortgagee's Foreclosure Period Current Basis Payments*").

The rent payable by American for the Premises under the Port Authority Lease consists of several components, some of which do not commence until, or cease to apply upon, the occurrence of certain dates or events, and some of which are subject to abatement or to annual increases based upon certain methodologies. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent." As of May 1, 2016, the estimated annual rent payable by American under the Port Authority Lease is approximately $18.6 million. Such amount is highly variable.

Pursuant to the Indenture, a Foreclosure Payment Account has been established within the Mortgage Reserve Fund for use by the Leasehold Mortgagee to preserve the rights of the Leasehold Mortgagee under the Port Authority Lease during the Foreclosure Period, including making payments to prevent a default under the Port Authority Lease with respect to payments required to preserve the Leasehold Mortgage. The amount to be deposited into the Foreclosure Payment Account upon the issuance of the Series 2016 Bonds is $21.5 million. Amounts required to be paid by American under the Port Authority Lease may be highly variable and are expected to increase over time. **Accordingly, no assurance can be given that the Foreclosure Payment Account will provide sufficient funds to cover all or any portion of the payments required to be made at the commencement of the Foreclosure Period or during any other part of the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage.** See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage." If the Trustee determines that it is in the best interest of the Bondholders or is directed by the holders of a majority in aggregate principal amount of outstanding Bonds, the Foreclosure Payment Account of the Mortgage Reserve Fund may instead be used to pay debt service on the Bonds following a Leasehold Mortgage Default. **The Leasehold Mortgage and the ATEIRA will terminate if the Leasehold Mortgagee fails to make any of the above payments in a timely manner.**

4. *Right of Port Authority to Terminate the Leasehold Mortgage*. The Port Authority shall have the right to request from the Leasehold Mortgagee a notice that shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the giving of such notice. The Port Authority has the right, but not the obligation, at any time after a Leasehold Mortgage Default, to terminate the Leasehold Mortgage by paying to the Trustee an amount equal to the principal amount of the Bonds outstanding, including per diem interest to the date of purchase.

*Certain Bankruptcy Matters*. If any bankruptcy proceedings involving American are instituted while the Leasehold Mortgage remains in effect, the obligations of the Leasehold Mortgagee to take the actions (including making certain required payments) described above under "*—Conditions Precedent to Foreclosure*" in order to preserve the Leasehold Mortgagee's rights to foreclose upon American's leasehold interest in the Premises will be suspended until the earlier to occur of (a) the "rejection" of the Port Authority Lease by American as debtor-in-possession or by its bankruptcy trustee or (b) the conclusion of such bankruptcy proceedings. During the pendency of any bankruptcy proceedings, the Leasehold Mortgagee would be precluded from foreclosing upon American's leasehold interest in the Premises absent relief from the bankruptcy court. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

1. *Rejection of Port Authority Lease*. In the event that the Port Authority Lease is "rejected" by American as debtor-in-possession or by its bankruptcy trustee, the Port Authority Lease and the Leasehold Mortgage will terminate and the Leasehold Mortgagee will have the option to exercise its Reletting Rights pursuant to the Reletting Agreement, upon fulfilling the requirements and significant payment obligations contained in the ATEIRA, all as described herein under "*—ATEIRA, Reletting Agreement and Reletting Rights.*"

2. *Assignment of Port Authority Lease*. If the Port Authority Lease is not "rejected" and is assigned to another entity or person by American as debtor-in-possession or by its bankruptcy trustee, and assuming the

Leasehold Mortgage remains unaltered and in full force and effect in connection therewith, upon any then-current or subsequent Lease Default (involving such assignee of the Port Authority Lease) or Bonds Default, the Leasehold Mortgagee would again be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the assignee's leasehold interest in the Premises.

3. *Conclusion of Proceedings*. Following American's emergence from any bankruptcy proceedings, and if the Port Authority Lease was not "rejected" or assigned to another person or entity during the bankruptcy proceedings, the Leasehold Mortgagee would be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon American's leasehold interest in the Premises on account of any then-current or subsequent Lease Default or Bonds Default involving American.

*Approved Successor Lessee During Foreclosure Period; Qualification Standards*. Under the Port Authority Lease, the Leasehold Mortgagee has the right during the Foreclosure Period and prior to termination of the Port Authority Lease to select a single Approved Successor Lessee to assume American's obligations under the Port Authority Lease upon removal of American as described above. The following requirements and obligations are applicable to the Approved Successor Lessee selected by the Leasehold Mortgagee and approved by the Port Authority:

1. *Assignment and Assumption Agreement*. The Approved Successor Lessee must be a single Approved Successor Lessee for the entire Facility and such Approved Successor Lessee must execute the Lease Assignment/Assumption and Consent Agreement with the Port Authority agreeing to be bound by the terms of the Port Authority Lease as if it were the original tenant thereunder, except that the Approved Successor Lessee may (with the Leasehold Mortgagee's approval) agree to lease the Facility for a term that is less than the remaining term of the Port Authority Lease.

2. *Qualification Standards*. The acceptance of any proposed Approved Successor Lessee is subject to approval of the Port Authority and such proposed Approved Successor Lessee must be a domestic or international Scheduled Aircraft Operator, or a consortium of such domestic or international Scheduled Aircraft Operators, each of whom shall each meet all of the requirements described below. In the event that the Approved Successor Lessee is a consortium, each of the Scheduled Aircraft Operators that is a member of the consortium (each, a "*Signatory Carrier*") shall have (x) a "joint and step-up obligation" to the Port Authority with respect to all of the consortium's monetary obligations under the Port Authority Lease, *i.e.*, each Signatory Carrier is obligated with respect to its pro rata share of the consortium's monetary obligations under the Port Authority Lease, including, in the event of a default by any other Signatory Carrier, a pro rata share of the defaulting Signatory Carrier's monetary obligations, and (y) a joint and several obligation with respect to all of the consortium's non-monetary obligations under the Port Authority Lease. The Port Authority will reasonably consider all relevant factors, including whether such proposed replacement tenant, together with each of its members if it is a consortium, satisfies the following conditions: (a) it has financial resources that are sufficient, in the opinion of the Port Authority, to fulfill all obligations as the lessee under the Port Authority Lease for the term of its tenancy, (b) it and its 20% owners have a good reputation for integrity and financial responsibility and have not been convicted of a crime and are not currently involved in material civil antitrust or fraud litigation (other than as a plaintiff), (c) it and all of its officers, directors, partners or 20% owners have had no prior Unfavorable Experience (as defined in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Foreclosure Rights—*Successor Lessee*") with the Port Authority, and (d) it and all of its officers, directors, partners or 20% owners have no "conflict of interest" (as defined under the laws of the States of New York and New Jersey or Port Authority policy) with any commissioner of the Port Authority. A "20% owner" refers to any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the proposed Approved Successor Lessee, and if said Approved Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest.

**The right to select an Approved Successor Lessee is a one-time right under the Port Authority Lease and upon the execution by the Approved Successor Lessee of the Lease Assignment/Assumption and Consent Agreement as described above, the Leasehold Mortgage and the ATEIRA will terminate and the Leasehold Mortgagee will have no further interest in the Port Authority Lease. There can be no assurance that the Leasehold Mortgagee will be able to locate an Approved Successor Lessee capable of satisfying all of the requirements and qualification standards imposed by the Port Authority Lease. See "RISK**

**FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" herein.**

*ATEIRA, Reletting Agreement and Reletting Rights*. Upon termination of the Port Authority Lease after (i) successful completion of foreclosure proceedings under the Leasehold Mortgage, (or assignment of American's leasehold interest in the leased Premises to the Leasehold Mortgagee in lieu of foreclosure), (ii) surrender of the Port Authority Lease by American subsequent to a Leasehold Mortgage Default, (iii) American's rejection of the Port Authority Lease in a bankruptcy proceeding with respect to American or (iv) termination of the Port Authority Lease by either party during the period that it is a month-to-month lease due to the occurrence of a Triggering Event (see "RISK FACTORS—Termination of the Port Authority Lease"), the Leasehold Mortgagee will have the right under the ATEIRA, subject to the satisfaction of significant payment obligations and other requirements, to require the Port Authority to execute the Reletting Agreement. Upon execution of the Reletting Agreement, the Leasehold Mortgagee will have the right to present to the Port Authority, for its approval, one or more proposed Approved Sublessees to occupy (by sublease or license from the Port Authority or otherwise) all or portions of the Facility consisting of one or more gates (airline passenger aircraft loading and unloading gate position and all related (as reasonably determined by the Port Authority) ramp and passenger terminal facilities, equipment and space in the terminal, including but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger hold rooms and waiting areas and appropriate signage and public identification).

**The following discussion describes the conditions set forth in the ATEIRA that must be satisfied before the Reletting Agreement can be executed.**

*Termination of Port Authority Lease as a Result of Foreclosure*. If the Port Authority Lease is terminated as a result of the foreclosure of the Leasehold Mortgage, an assignment by American to the Leasehold Mortgagee in lieu of foreclosure, or the surrender of the Port Authority Lease by American after a Leasehold Mortgage Default, the Port Authority will execute the Reletting Agreement within 30 days of a written request of the Leasehold Mortgagee to do so, provided that the Leasehold Mortgagee has paid all of the Leasehold Mortgagee's Foreclosure Period Current Basis Payments.

*Termination of Port Authority Lease as a Result of Rejection in Bankruptcy*. If the Port Authority Lease is terminated as a result of the rejection of the Port Authority Lease by American in a bankruptcy proceeding with respect to American, then, within the period ending 30 days after the Bankruptcy Rejection Date (a "*Reletting Election Period*"), the Leasehold Mortgagee must give the Port Authority a written notice stating the Leasehold Mortgagee's affirmative election to exercise the Reletting Rights, and simultaneously pay to the Port Authority all amounts that would have been due and owing to the Port Authority under the Port Authority Lease that would have accrued for any and all periods up to the date of such written notice, to the extent such amounts have not been paid to the Port Authority (the "*Leasehold Mortgagee's Commencement Payment Obligations*") then due. The Leasehold Mortgagee may extend the Reletting Election Period to a period ending 150 days after the Bankruptcy Rejection Date by a written notice given to the Port Authority before the end of the original Reletting Election Period. If the conditions described in this paragraph have been satisfied, the Port Authority will execute the Reletting Agreement within 30 days of a written request of the Leasehold Mortgagee to do so.

*Termination of Port Authority Lease During Month-to-Month Tenancy*. If the Port Authority Lease is terminated by either party during the period that it is a month-to-month lease due to the occurrence of a Triggering Event (see "RISK FACTORS—Termination of the Port Authority Lease") then, within the period ending 30 days after the Triggering Event Termination Date (which is also referred to as a "*Reletting Election Period*"), the Leasehold Mortgagee must give the Port Authority a written notice stating the Leasehold Mortgagee's affirmative election to exercise the Reletting Rights, and simultaneously pay to the Port Authority the Leasehold Mortgagee's Commencement Payment Obligations then due. The Leasehold Mortgagee may extend the Reletting Election Period to a period ending 150 days after the Triggering Event Termination Date by a written notice given to the Port Authority before the end of the original Reletting Election Period. If the conditions described in this paragraph have been satisfied, the Port Authority will execute the Reletting Agreement within 30 days of a written request of the Leasehold Mortgagee to do so.

*Right of Port Authority to Terminate ATEIRA*. The Port Authority may terminate the ATEIRA at any time after termination of the Port Authority Lease, upon prior written notice to the Leasehold Mortgagee, by paying the

Leasehold Mortgagee the outstanding principal amount of the Bonds, plus accrued and unpaid interest thereon. See APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT—Summary of Certain Provisions of the Agreement to Enter Into Reletting Agreement—*Port Authority Right of Termination*." **Bondholders should not assume that the Port Authority will exercise this option.**

**The following discussion describes the Reletting Rights granted under the Reletting Agreement.**

*Reletting Rights—Gates*. Under the Reletting Agreement, the Leasehold Mortgagee will have the right to require the Port Authority to execute subleases, use agreements or licenses (each, a "*Gate Sublease*") of one or more Gates with one or more Approved Sublessees. The initial term of each Gate Sublease must be at least one year. The term or terms of each Gate Sublease shall not go beyond December 30, 2036 without the written consent of the Port Authority. All rents under each Gate Sublease will be payable to the Leasehold Mortgagee or its designated agent, unless otherwise directed by the Port Authority. The term and rents payable under each Gate Sublease will be determined by the Leasehold Mortgagee in consultation with the Port Authority.

"*Gate*" means an airline passenger aircraft loading and unloading gate position and all related (as reasonably determined by the Port Authority) ramp and passenger terminal facilities, equipment and space in the Terminal, including but not limited to passenger ticketing, passenger check-in, baggage handling and flight information systems, passenger hold room and waiting areas, and appropriate signage and public identification.

*Approved Sublessees—Qualifications*. The acceptance of any proposed Approved Sublessee (an "*Applicant*") will be subject to the approval of the Port Authority, and the Leasehold Mortgagee will provide the Port Authority with such information as the Port Authority may reasonably request in order to determine whether such Applicant is acceptable. In determining whether to approve or disapprove an Applicant, the Port Authority will consider all relevant factors, including without limitation the following factors: (i) whether the Applicant will be able to fulfill all of its obligations under the proposed Gate Sublease throughout the proposed term thereof, (ii) whether the financial standing of the Applicant is sufficient, in the opinion of the Port Authority, to assure the Port Authority that the Applicant is able to fulfill all of its obligations under the proposed Gate Sublease throughout the proposed term thereof, including without limitation the submission to the Port Authority of such security or guaranty in such form and amount as the Port Authority may find satisfactory consistent with the Port Authority's security policies then in effect, (iii) whether the Applicant and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the Applicant, if said Applicant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest, has a good reputation for integrity and financial responsibility and has not been convicted of, or under current indictment for, any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff), (iv) whether the Port Authority has had any Unfavorable Experience (as defined in APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT—Summary of Certain Provisions of the Reletting Agreement—*Applicant*") with the Applicant or any of its officers, directors, or partners, or any person, firm or corporation (such officers, directors, partners, person, firm and corporation, being herein in this item (iv) individually and collectively referred to as a "*Related Party*") having an outright or beneficial interest in 20% or more of the monies invested in Applicant, if said Applicant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest; and (v) whether the Applicant or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the proposed assignee, if said Applicant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest, is in "conflict of interest," as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed application. The Port Authority may refuse to approve an Applicant if it reasonably believes that executing a Gate Sublease with such Applicant would violate Section 76(b) of the Agreement of Lease dated as of May 13, 1997, between the Port Authority and JFK International Air Terminal LLC, as it may be amended by any amendment that (x) renders such covenant less restrictive to the Port Authority but (y) does not restrict to a greater degree, or require the Port Authority to restrict to a greater degree, the use of the Premises. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the ATEIRA and the Reletting Agreement—*The Terminal 4 Covenant May Significantly Impair the Exercise of the Reletting Rights*" herein. The Port Authority must approve or disapprove an Applicant within 60 days of receipt by the Port Authority of notice from the Leasehold Mortgagee or

its designee of the name of the Applicant, along with all information regarding the Applicant (including such financial statements and other financial information) reasonably requested in writing by the Port Authority (the "*Approval Period*"). If the Port Authority fails to approve or disapprove of an Applicant by the end of the Approval Period, it shall be deemed to have approved such Applicant and shall be obligated to execute a Gate Sublease as requested by the Leasehold Mortgagee.

**There can be no assurance that the Leasehold Mortgagee will be able to locate one or more Applicants capable of satisfying all of the requirements and qualification standards imposed by the Reletting Agreement. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the ATEIRA and the Reletting Agreement" herein.**

*Reletting Rights—Concessions and Other Space*. Under the Reletting Agreement the Leasehold Mortgagee will have the right to require the Port Authority to execute subleases, licenses or use agreements with a manager or directly with subtenants for concession and office space on the Premises. The formulae for sharing of revenues between the Port Authority and the Leasehold Mortgagee will be the formulae in effect with respect to concessions on the date of termination of the Port Authority Lease and for the period during which such formulae would have been applicable had such termination not occurred.

*Requirements of the Reletting Agreement*. Under the Reletting Agreement, the Leasehold Mortgagee will covenant and agree to pay to the Port Authority amounts equal to all amounts that would have been due and owing to the Port Authority on an ongoing basis under the Port Authority Lease had it not been terminated, as the same would have become due and payable thereunder, to the extent such amounts have not been paid to the Port Authority (the "*Leasehold Mortgagee's Payment Obligations*") (other than Excluded Obligations (as defined below)), and to perform or cause to be performed, on an ongoing basis, all obligations (other than Excluded Obligations) that would have been performed by American with respect to the Premises under the Port Authority Lease had the Port Authority Lease not terminated (the "*Leasehold Mortgagee's Performance Obligations*"). See APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT—Summary of Certain Provisions of the Reletting Agreement—*Leasehold Mortgagee's Obligations*."

"*Excluded Obligations*" means (i) Leasehold Mortgagee's Performance Obligations that cannot be reasonably performed or caused to be performed by the Leasehold Mortgagee, and (ii) Leasehold Mortgagee's Obligations relating to Gates with respect to which the Leasehold Mortgagee has lost its Reletting Rights as described in "—*Loss of Reletting Rights*" below.

*Right of Port Authority to Terminate Reletting Agreement*. The Port Authority may terminate the Reletting Agreement at any time, upon prior written notice to the Leasehold Mortgagee, by paying the Leasehold Mortgagee the outstanding principal amount of the Bonds plus accrued and unpaid interest thereon. See APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT—Summary of Certain Provisions of the Reletting Agreement—*Port Authority Termination Option*." **Bondholders should not assume that the Port Authority will exercise this option.**

*Loss of Reletting Rights*. The Port Authority has the right, upon six months' written notice (the "*Section 4.7 Notice*") to the Leasehold Mortgagee, to terminate the Reletting Rights of the Leasehold Mortgagee with respect to the combination and number of Gates specified in such notice if, for the most recently completed Measuring Period (as defined below) preceding the date of such notice (a "*Test Period*"), the Utilization Rate (as defined in "—*Determination of Utilization Rate*" below) is less than 70% of the Base Utilization Standard (the "*Minimum Utilization Standard*"). A Gate with respect to which the Leasehold Mortgagee loses its Reletting Rights is called a "*Released Gate*." Notwithstanding the foregoing, the Port Authority shall give the Leasehold Mortgagee at least 30 days prior written notice of its intention to give the Section 4.7 Notice and the Port Authority shall not exercise such termination right with respect to any Gates if the Leasehold Mortgagee has submitted to the Port Authority prior to the expiration of such 30 day notice period one or more Approved Sublessees that, if approved by the Port Authority as provided in "—*Approved Sublessees—Qualifications*," above, will bring the Utilization Rate (computed on a pro forma basis for the applicable Test Period and after giving effect to the proposed Gate Subleases with the proposed Approved Sublessee or Sublessees, as agreed to by the Leasehold Mortgagee and the Port Authority) to at least the Minimum Utilization Standard, provided that the Port Authority actually approves such Approved Sublessee or

Sublessees. The Port Authority's right to terminate the Leasehold Mortgagee's Reletting Rights with respect to one or more Gates as described in this paragraph may be exercised one or more times until the Minimum Utilization Standard has been satisfied or the Leasehold Mortgagee has lost its Reletting Rights to all Gates.

On or after a Gate becomes a Released Gate, the Leasehold Mortgagee shall have no Reletting Rights with respect to such Released Gate and shall be (i) entitled to a permanent pro rata abatement of its obligation to pay the Leasehold Mortgagee's Payment Obligations based upon the Pro-Rata Share (as defined in the Port Authority Lease) with respect to such Released Gate, and (ii) relieved of its obligation to perform any of the covenants under the Port Authority Lease related to such Released Gate. The maximum number of Gates and the particular Gates that the Port Authority proposes become Released Gates will be agreed upon by the Leasehold Mortgagee and the Port Authority and shall be that number of Gates that will bring the Utilization Rate (computed on a pro forma basis for the applicable Measuring Period excluding the proposed Released Gates) to at least the Minimum Utilization Standard (computed based upon a revised Base Utilization Standard, adjusted to reflect the reduction in capacity resulting from the exclusion of the proposed Released Gates, as shall be agreed upon by the Leasehold Mortgagee and the Port Authority).

"*Base Utilization Standard*" means the Utilization Rate (as defined in "*—Determination of Utilization Rate*" below) for the first full calendar year from and after September 30, 2008. The Base Utilization Standard shall be reduced as described in the preceding paragraph.

*Determination of Utilization Rate*. For purposes of this paragraph only, "*Terminal*" excludes all Released Gates. "*Measuring Period*" shall mean six consecutively occurring "*Test Weeks*," each being a period from a Sunday through a Saturday, including the next to occur of either February 15 or August 15. "*Guide*" shall mean, collectively (i) the Official Airline Guides and/or (ii) for all Approved Sublessees operating in the Terminal for the calendar year in which a Test Week falls for which the Official Airline Guides is incomplete or insufficient, an airline schedule reference or references agreed to by the Port Authority and the Leasehold Mortgagee. Based upon the Guide, the Port Authority shall ascertain the total number of revenue seats that were accommodated on the aircraft equipment scheduled to have been used at the Terminal during, and shall total the said number of revenue seats for, each Measuring Period (such total, the "*Total Revenue Seats*"). The Total Revenue Seats at the Terminal shall be divided by forty-two, the resulting quotient being herein called the "*Utilization Rate.*"

See APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT."

## RISK FACTORS

*In considering whether to purchase the Series 2016 Bonds, each potential purchaser of Series 2016 Bonds should carefully consider all of the information contained in or incorporated by reference in this Official Statement, including, but not limited to, AAG's and American's Annual Report on Form 10-K for the year ended December 31, 2015, AAG's and American's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and the other information incorporated or deemed to be incorporated by reference in this Official Statement. In addition, each potential purchaser of Series 2016 Bonds should carefully consider the following risk factors, which describe certain risks that may affect the business, results of operations and financial condition of AAG and its consolidated subsidiaries (collectively referred to in this section as, the "Company"). These risk factors may not be exhaustive. The Company operates in a continually changing business environment and new risks and uncertainties emerge from time to time. The Company cannot predict new risks and uncertainties nor is the Company able to assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact its business.*

### Risk Factors Relating to the Company and Industry-Related Risks

**The Company could experience significant operating losses in the future.**

For a number of reasons, including those addressed in these risk factors, the Company might fail to maintain profitability and might experience significant losses. In particular, the condition of the economy, the level

and volatility of fuel prices, the state of travel demand and intense competition in the airline industry have had, and will continue to have, an impact on the Company's operating results, and may increase the risk that the Company will experience losses.

**Downturns in economic conditions adversely affect the Company's business.**

Due to the discretionary nature of business and leisure travel spending, airline industry revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased passenger demand for air travel and changes in booking practices, both of which in turn have had, and may have in the future, a strong negative effect on the Company's revenues. In addition, during challenging economic times, actions by the Company's competitors to increase their revenues can have an adverse impact on the Company's revenues. See "*—The airline industry is intensely competitive and dynamic*" below. Certain labor agreements to which the Company is a party limit its ability to reduce the number of aircraft in operation, and the utilization of such aircraft, below certain levels. As a result, the Company may not be able to optimize the number of aircraft in operation in response to a decrease in passenger demand for air travel.

**The Company's business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on the Company's operating results and liquidity.**

The Company's operating results are materially impacted by changes in the availability, price volatility and cost of aircraft fuel, which represents one of the largest single cost items in the Company's business. Jet fuel market prices have fluctuated substantially over the past several years and prices continue to be highly volatile.

Because of the amount of fuel needed to operate the Company's business, even a relatively small increase or decrease in the price of fuel can have a material effect on the Company's operating results and liquidity. Due to the competitive nature of the airline industry and unpredictability of the market, the Company can offer no assurance that it may be able to increase fares, impose fuel surcharges or otherwise increase revenues sufficiently to offset fuel price increases. Similarly, the Company cannot predict the effect or the actions of its competitors if the current low fuel prices remain in place for a significant period of time.

Although the Company is currently able to obtain adequate supplies of aircraft fuel, it cannot predict the future availability, price volatility or cost of aircraft fuel. Natural disasters, political disruptions or wars involving oil-producing countries, changes in fuel-related governmental policy, the strength of the U.S. dollar against foreign currencies, changes in access to petroleum product pipelines and terminals, speculation in the energy futures markets, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages, additional fuel price volatility and cost increases in the future.

The Company has a large number of older aircraft in its fleet, and these aircraft are not as fuel efficient as more recent models of aircraft, including those the Company has on order. The Company intends to continue to execute its fleet renewal plans to, among other things, improve the fuel efficiency of its fleet, and the Company is dependent on a limited number of major aircraft manufacturers to deliver aircraft on schedule. If the Company experiences delays in delivery of the more fuel efficient aircraft that it has on order, it will be adversely affected.

The Company's aviation fuel purchase contracts generally do not provide meaningful price protection against increases in fuel costs. Prior to the closing of the Merger, the Company sought to manage the risk of fuel price increases by using derivative contracts. As of March 31, 2016, the Company did not have any fuel hedging contracts outstanding. As such, and assuming it does not enter into any future transactions to hedge its fuel consumption, the Company will continue to be fully exposed to fluctuations in fuel prices.

The Company's current policy is not to enter into transactions to hedge its fuel consumption, although it reviews that policy from time to time based on market conditions and other factors. If in the future the Company enters into derivative contracts to hedge its fuel consumption, there can be no assurance that, at any given time, the Company will have derivatives in place to provide any particular level of protection against increased fuel costs or

that its counterparties will be able to perform under its derivative contracts. To the extent the Company uses derivative contracts that have the potential to create an obligation to pay upon settlement if prices decline significantly, such derivative contracts may limit the Company's ability to benefit from lower fuel costs in the future. Also, a rapid decline in the projected price of fuel at a time when the Company has fuel hedging contracts in place could adversely impact its short-term liquidity, because hedge counterparties could require that the Company post collateral in the form of cash or letters of credit.

**The airline industry is intensely competitive and dynamic.**

The Company's competitors include other major domestic airlines and foreign, regional and new entrant airlines, as well as joint ventures formed by some of these airlines, many of which have more financial or other resources and/or lower cost structures than the Company's, as well as other forms of transportation, including rail and private automobiles. In many of the Company's markets it competes with at least one low-cost air carrier. The Company's revenues are sensitive to the actions of other carriers in many areas including pricing, scheduling, capacity and promotions, which can have a substantial adverse impact not only on the Company's revenues, but on overall industry revenues. These factors may become even more significant in periods when the industry experiences large losses, as airlines under financial stress, or in bankruptcy, may institute pricing structures intended to achieve near-term survival rather than long-term viability.

Low-cost carriers, including so-called ultra-low-cost carriers, have a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares in order to shift demand from larger, more established airlines, and represent significant competitors, particularly for customers who fly infrequently and are price sensitive and tend not to be loyal to any one particular carrier. Some low-cost carriers, which have cost structures lower than the Company's, have better recent financial performance and have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. These low-cost carriers are expected to continue to increase their market share through growth and, potentially, consolidation, and could continue to have an impact on the Company's revenues and overall performance. For example, as a result of divestitures completed in connection with gaining regulatory approval for the Merger, low-fare, low-cost carriers have gained additional access in a number of markets, including Ronald Reagan Washington National Airport ("*DCA*"), a slot-controlled airport. The actions of the low-cost carriers, including those described above, could have a material adverse effect on the Company's operations and financial performance.

The Company's presence in international markets is not as extensive as that of some of its competitors. The Company derived approximately 30% of its operating revenues in 2015 from operations outside of the U.S., as measured and reported to the U.S. Department of Transportation ("*DOT*"). In providing international air transportation, the Company competes to provide scheduled passenger and cargo service between the U.S. and various overseas locations with U.S. airlines, foreign investor-owned airlines, and foreign state-owned or state-affiliated airlines, including carriers based in the Middle East, the three largest of which the Company believes benefit from significant government subsidies. The Company's international service exposes it to foreign economies and the potential for reduced demand, such as the Company has recently experienced in Brazil and Venezuela, when any foreign countries it serves suffer adverse local economic conditions. In addition, open skies agreements with an increasing number of countries around the world provide international airlines with open access to U.S. markets. See "*—The Company's business is subject to extensive government regulation, which may result in increases in its costs, disruptions to its operations, limits on its operating flexibility, reductions in the demand for air travel, and competitive disadvantages.*"

Certain airline alliances have been, or may in the future be, granted immunity from antitrust regulations by governmental authorities for specific areas of cooperation, such as joint pricing decisions. To the extent alliances formed by the Company's competitors can undertake activities that are not available to the Company, the Company's ability to effectively compete may be hindered. The Company's ability to attract and retain customers is dependent upon, among other things, its ability to offer its customers convenient access to desired markets. The Company's business could be adversely affected if it is unable to maintain or obtain alliance and marketing relationships with other air carriers in desired markets.

The Company is party to antitrust-immunized cooperation agreements with British Airways, Iberia, Finnair, Royal Jordanian, Japan Airlines, LAN Airlines and LAN Peru. As part of the antitrust-immunized relationships, the

Company has also established joint business agreements ("*JBAs*") with British Airways, Iberia and Finnair, and separately with Japan Airlines. The Company has signed a revised JBA with Qantas Airways and has applied for antitrust immunity with the DOT for the revised relationship, which application is still pending before the DOT. In addition, the Company has signed JBAs with certain air carriers of the LATAM Airlines Group and has applied for approval in the relevant jurisdictions affected by such agreements. No assurances can be given as to any benefits that the Company may derive from such arrangements or any other arrangements that may ultimately be implemented.

Additional mergers and other forms of industry consolidation, including antitrust immunity grants, may take place and may not involve the Company as a participant. Depending on which carriers combine and which assets, if any, are sold or otherwise transferred to other carriers in connection with such combinations, the Company's competitive position relative to the post-combination carriers or other 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 the Company's network, which in turn could result in lower overall market share and revenues for the Company. Such consolidation is not limited to the U.S., but could include further consolidation among international carriers in Europe and elsewhere.

**The Company may be unable to integrate operations successfully and realize the anticipated synergies and other benefits of the Merger.**

The Merger involved the combination of two companies that operated as independent public companies prior to the Merger, each of which operated its own international network airline. Historically, the integration of separate airlines has often proven to be more time consuming and to require more resources than initially estimated. Although the Company received a single operating certificate from the FAA for American and US Airways on April 8, 2015, implemented a single integrated reservation system on October 17, 2015 and merged American and US Airways on December 30, 2015, the Company must continue to devote significant management attention and resources to integrating its business practices, cultures and operations. Potential difficulties the Company may encounter as part of the integration process include the following:

- the inability to successfully combine its businesses in a manner that permits it to achieve the synergies and other benefits anticipated to result from the Merger;
- the challenge of integrating complex systems, operating procedures, regulatory compliance programs, technology, aircraft fleets, networks, and other assets (including, for example, the Company's flight operations systems and technology which supports human resources functions) in a manner that minimizes any adverse impact on customers, suppliers, employees, and other constituencies;
- the effects of divestitures and other operational commitments entered into in connection with the settlement of the litigation brought by the Department of Justice (DOJ) and certain states prior to the closing of the Merger, including those involving Dallas Love Field Airport ("*DAL*") and DCA;
- the challenge of forming and maintaining an effective and cohesive management team;
- the diversion of the attention of its management and other key employees;
- the challenge of integrating workforces while maintaining focus on providing consistent, high quality customer service and running an efficient operation;
- the risks relating to integrating various computer, communications and other technology systems that will be necessary to operate American and US Airways as a single airline and to achieve cost synergies by eliminating redundancies in the businesses;
- the disruption of, or the loss of momentum in, its ongoing business;

- branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers; and

- potential unknown liabilities, liabilities that are significantly larger than it currently anticipates and unforeseen increased expenses or delays associated with the Merger, including costs in excess of the cash transition costs that it currently anticipates.

Accordingly, the Company may not be able to realize the contemplated benefits of the Merger fully, or it may take longer and cost more than expected to realize such benefits.

**Ongoing data security compliance requirements could increase the Company's costs, and any significant data breach could disrupt its operations and harm its reputation, business, results of operations and financial condition.**

The Company's business requires the appropriate and secure utilization of customer, employee, business partner and other sensitive information. The Company cannot be certain that advances in criminal capabilities (including cyber-attacks or cyber intrusions over the Internet, malware, computer viruses and the like), discovery of new vulnerabilities or attempts to exploit existing vulnerabilities in its systems, other data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access and store sensitive information. 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 the U.S. and abroad (particularly in the EU), including requirements for varying levels of customer notification in the event of a data breach.

In addition, many of the Company's commercial partners, including credit card companies, have imposed data security standards that the Company must meet. In particular, the Company is required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with their highest level of data security standards. While the Company continues its efforts to meet these standards, new and revised standards may be imposed that may be difficult for the Company to meet and could increase its costs.

A significant data security breach or the Company's failure to comply with applicable U.S. or foreign data security regulations or other data security standards may expose the Company to litigation, claims for contract breach, fines, sanctions or other penalties, which could disrupt its operations, harm its reputation and materially and adversely affect its business, results of operations and financial condition. Failure to address these issues appropriately could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject the Company to enforcement actions, fines and penalties and cause it to incur further related costs and expenses.

**The Company's indebtedness and other obligations are substantial and could adversely affect its business and liquidity.**

The Company has significant amounts of indebtedness and other obligations, including pension obligations, obligations to make future payments on flight equipment and property leases, and substantial non-cancelable obligations under aircraft and related spare engine purchase agreements. Moreover, currently a substantial portion of the Company's assets are pledged to secure its indebtedness. The Company's substantial indebtedness and other obligations could have important consequences. For example, they:

- may make it more difficult for the Company to satisfy its obligations under its indebtedness;

- may limit the Company's ability to obtain additional funding for working capital, capital expenditures, acquisitions, investments, integration costs, and general corporate purposes, and adversely affect the terms on which such funding can be obtained;

- require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness and other obligations, thereby reducing the funds available for other purposes;

- make the Company more vulnerable to economic downturns, industry conditions and catastrophic external events;

- limit the Company's ability to respond to business opportunities and to withstand operating risks that are customary in the industry, particularly relative to competitors with lower relative levels of financial leverage; and

- contain restrictive covenants that could:

    - limit the Company's ability to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends;

    - significantly constrain the Company's ability to respond, or respond quickly, to unexpected disruptions in its own operations, the U.S. or global economies, or the businesses in which it operates, or to take advantage of opportunities that would improve its business, operations, or competitive position versus other airlines;

    - limit the Company's ability to withstand competitive pressures and reduce its flexibility in responding to changing business and economic conditions; and

    - result in an event of default under the Company's indebtedness.

**The Company will need to obtain sufficient financing or other capital to operate successfully.**

The Company's business plan contemplates significant investments in modernizing its fleet and integrating the American and US Airways businesses. Significant capital resources will be required to execute this plan. The Company estimates that, based on its commitments as of March 31, 2016, its planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for calendar years 2016-2020 would be approximately $16.6 billion. Accordingly, the Company will need substantial financing or other capital resources. In addition, as of the date of this Official Statement, the Company had not secured financing commitments for some of the aircraft that it has on order, and it cannot be assured of the availability or cost of that financing. In particular, as of March 31, 2016, the Company did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2017: 19 Airbus A320 family aircraft in 2016 and 20 Airbus A320 family aircraft in 2017, six Boeing 787 family aircraft in 2016 and 13 Boeing 787 family aircraft in 2017, 15 Boeing 737-800 aircraft in 2016 and four Boeing 737 MAX family aircraft in 2017. In addition, the Company does not have financing commitments in place for substantially all aircraft currently on order and scheduled to be delivered in 2018 and beyond. The number of aircraft for which the Company does not have financing may change as it exercises purchase options or otherwise changes its purchase and delivery schedules. If the Company is unable to arrange financing for such aircraft at customary advance rates and on terms and conditions acceptable to it, the Company may need to use cash from operations or cash on hand to purchase such aircraft or may seek to negotiate deferrals for such aircraft with the aircraft manufacturers. Depending on numerous factors, many of which are out of the Company's control, such as the state of the domestic and global economies, the capital and credit markets' view of its prospects and the airline industry in general, and the general availability of debt and equity capital at the time the Company seeks capital, the financing or other capital resources that the Company will need may not be available to it, or may only be available on onerous terms and conditions. There can be no assurance that the Company will be successful in obtaining financing or other needed sources of capital to operate successfully. An inability to obtain necessary financing on acceptable terms would have a material adverse impact on the Company's business, results of operations and financial condition.

**Increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates could adversely affect the Company's liquidity, results of operations and financial condition.**

Concerns about the systemic impact of inflation, the availability and cost of credit, energy costs and geopolitical issues, combined with continued changes in business activity levels and consumer confidence, increased unemployment and volatile oil prices, have in the past and may in the future contribute to volatility in the capital and credit markets. These market conditions could result in illiquid credit markets and wider credit spreads. Any such changes in the domestic and global financial markets may increase the Company's costs of financing and adversely affect its ability to obtain financing needed for the acquisition of aircraft that it has contractual commitments to purchase and for other types of financings it may seek in order to refinance debt maturities, raise capital or fund other types of obligations. Any downgrades to the Company's credit rating may likewise increase the cost and reduce the availability of financing.

Further, a substantial portion of the Company's indebtedness bears interest at fluctuating interest rates, primarily based on the London interbank offered rate for deposits of U.S. dollars ("*LIBOR*"). LIBOR tends to fluctuate based on general economic conditions, general interest rates, rates set by the Federal Reserve and other central banks, and the supply of and demand for credit in the London interbank market. The Company has not hedged its interest rate exposure with respect to the $1.87 billion term loan facility and the $1.4 billion revolving credit facility provided for by the credit and guaranty agreement, entered into June 27, 2013 between AAG, American and certain lenders (as amended and restated on May 21, 2015 and as otherwise amended, the "*2013 Credit Facilities*"), the $743.0 million term loan facility entered into on May 23, 2013 between US Airways and US Airways Group and certain lenders (as amended, the "*2013 Citicorp Credit Facility*"), the $750 million term loan facility and the $1.0 billion revolving credit facility entered into October 10, 2014, between AAG and American and certain lenders (as amended and restated on April 20, 2015 and as otherwise amended, the "*2014 Credit Facilities*"), the $1.0 billion term loan facility entered into on April 29, 2016, between AAG and American and certain lenders (the "*2016 Credit Facility*") and other of our floating rate debt. Accordingly, the Company's interest expense for any particular period will fluctuate based on LIBOR and other variable interest rates. To the extent these interest rates increase, the Company's interest expense will increase, in which event it may have difficulties making interest payments and funding its other fixed costs, and its available cash flow for general corporate requirements may be adversely affected.

**The Company's high level of fixed obligations may limit its ability to fund general corporate requirements and obtain additional financing, may limit its flexibility in responding to competitive developments and cause its business to be vulnerable to adverse economic and industry conditions.**

The Company has a significant amount of fixed obligations, including debt, pension costs, aircraft leases and financings, aircraft purchase commitments, leases and developments of airport and other facilities and other cash obligations. The Company also has certain guaranteed costs associated with its regional operations.

As a result of the substantial fixed costs associated with these obligations:

- a decrease in revenues results in a disproportionately greater percentage decrease in earnings;
- the Company may not have sufficient liquidity to fund all of these fixed obligations if its revenues decline or costs increase; and
- the Company may have to use its working capital to fund these fixed obligations instead of funding general corporate requirements, including capital expenditures.

These obligations also impact the Company's ability to obtain additional financing, if needed, and its flexibility in the conduct of its business, and could materially adversely affect its liquidity, results of operations and financial condition.

**The Company has significant pension and other postretirement benefit funding obligations, which may adversely affect its liquidity, results of operations and financial condition.**

The Company's pension funding obligations are significant. The amount of these obligations will depend on the performance of investments held in trust by the pension plans, interest rates for determining liabilities and actuarial experience. Currently, the Company's minimum funding obligation for its pension plans is subject to favorable temporary funding rules that are scheduled to expire at the end of 2017. The Company's pension funding obligations are likely to increase materially beginning in 2019, when the Company will be required to make contributions relating to the 2018 fiscal year. In addition, the Company may have significant obligations for other postretirement benefits, the ultimate amount of which depends on, among other things, the outcome of an adversary proceeding related to retiree medical and life insurance obligations filed in the Chapter 11 Cases.

**Any failure to comply with the covenants contained in the Company's financing arrangements may have a material adverse effect on its business, results of operations and financial condition.**

The terms of the 2013 Credit Facilities, the 2013 Citicorp Credit Facility, the 2014 Credit Facilities and the 2016 Credit Facility require the Company to ensure that AAG and its restricted subsidiaries maintain consolidated unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities in an aggregate amount not less than $2.0 billion, and the 2013 Citicorp Credit Facility also requires AAG and the other obligors thereunder to hold not less than $750 million (subject to partial reductions upon certain reductions in the outstanding amount of the loan) of that amount in accounts subject to control agreements.

The Company's ability to comply with these liquidity covenants while paying the fixed costs associated with its contractual obligations and its other expenses, including significant pension and other postretirement funding obligations and cash transition costs associated with the Merger, will depend on the Company's operating performance and cash flow, which are seasonal, as well as factors including fuel costs and general economic and political conditions.

In addition, the Company's credit facilities and certain other financing arrangements include covenants that, among other things, limit its ability to pay dividends and make certain other payments, make certain investments, incur additional indebtedness, enter into certain affiliate transactions and engage in certain business activities, in each case subject to certain exceptions.

The factors affecting the Company's liquidity (and its ability to comply with related liquidity and other covenants) will remain subject to significant fluctuations and uncertainties, many of which are outside its control. Any breach of the Company's liquidity and other covenants or failure to timely pay its obligations could result in a variety of adverse consequences, including the acceleration of its indebtedness, the withholding of credit card proceeds by its credit card processors and the exercise of remedies by its creditors and lessors. In such a situation, the Company may not be able to fulfill its contractual obligations, repay the accelerated indebtedness, make required lease payments or otherwise cover its fixed costs.

**If the Company's financial condition worsens, provisions in its credit card processing and other commercial agreements may adversely affect its liquidity.**

The Company has agreements with companies that process customer credit card transactions for the sale of air travel and other services. These agreements allow these processing companies, under certain conditions (including, with respect to certain agreements, the failure of American to maintain certain levels of liquidity) to hold an amount of its cash (a "holdback") equal to some or all of the advance ticket sales that have been processed by that company, but for which the Company has not yet provided the air transportation. The Company is not currently required to maintain any holdbacks pursuant to these requirements. These holdback requirements can be modified at the discretion of the processing companies upon the occurrence of specific events, including material adverse changes in the Company's financial condition. An increase in the current holdbacks up to and including 100% of relevant advanced ticket sales, could materially reduce the Company's liquidity. Likewise, other of the Company's commercial agreements contain provisions that allow other entities to impose less-favorable terms, including the acceleration of amounts due, in the event of material adverse changes in its financial condition.

**Union disputes, employee strikes and other labor-related disruptions may adversely affect the Company's operations.**

Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act ("*RLA*"). Under the RLA, collective bargaining agreements ("*CBAs*") generally contain "amendable dates" rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board ("*NMB*").

In the case of a CBA that is amendable under the RLA, if no agreement is reached during direct negotiations between the parties, either party may request that the NMB appoint a federal mediator. The RLA prescribes no timetable for the direct negotiation and mediation processes, and it is not unusual for those processes to last for many months or even several years. If no agreement is reached in mediation, the NMB in its discretion may declare that an impasse exists and proffer binding arbitration to the parties. Either party may decline to submit to arbitration, and if arbitration is rejected by either party, a 30-day "cooling off" period commences. During or after that period, a Presidential Emergency Board ("*PEB*") may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another 30-day "cooling off" period. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise "self-help," such as a strike, which could materially adversely affect the Company's business, results of operations and financial condition.

None of the unions representing the Company's employees presently may lawfully engage in concerted refusals to work, such as strikes, slow-downs, sick-outs or other similar activity, against the Company. Nonetheless, there is a risk that disgruntled employees, either with or without union involvement, could engage in one or more concerted refusals to work that could individually or collectively harm the operation of the Company's airline and impair its financial performance.

**The inability to maintain labor costs at competitive levels would harm the Company's financial performance.**

Currently, the Company believes its labor costs are competitive relative to the other large network carriers. However, the Company cannot provide assurance that labor costs going forward will remain competitive because some of its agreements are amendable now and others may become amendable, competitors may significantly reduce their labor costs or the Company may agree to higher-cost provisions in its current or future labor negotiations, such as the employee profit sharing program the Company instituted effective January 1, 2016. As of December 31, 2015, approximately 82% of the Company's employees were represented for collective bargaining purposes by labor unions. Some of the Company's unions have brought and may continue to bring grievances to binding arbitration, including those related to wages. Unions may also bring court actions and may seek to compel the Company to engage in bargaining processes where the Company believes it has no such obligation. If successful, there is a risk these judicial or arbitral avenues could create material additional costs that the Company did not anticipate.

**Interruptions or disruptions in service at one of the Company's hub airports could have a material adverse impact on its operations.**

The Company has hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. Substantially all of the Company's flights either originate in or fly into one of these locations. A significant interruption or disruption in service at one of its hubs resulting from air traffic control ("*ATC*") delays, weather conditions, natural disasters, growth constraints, relations with third-party service providers, failure of computer systems, facility disruptions, labor relations, power supplies, fuel supplies, terrorist activities, or otherwise, could result in the cancellation or delay of a significant portion of the Company's flights and, as a result, could have a severe impact on its business, results of operations and financial condition.

**If the Company is unable to obtain and maintain adequate facilities and infrastructure throughout its system and, at some airports, adequate slots, it may be unable to operate its existing flight schedule and to expand or change its route network in the future, which may have a material adverse impact on its operations.**

In order to operate the Company's existing and proposed flight schedule and, where appropriate, add service along new or existing routes, the Company must be able to maintain and/or obtain adequate gates, ticketing facilities, operations areas, and office space. As airports around the world become more congested, the Company will not always be able to ensure that its plans for new service can be implemented in a commercially viable manner, given operating constraints at airports throughout its network, including due to inadequate facilities at desirable airports. Further, the Company's operating costs at airports at which it operates, including its hubs, may increase significantly because of capital improvements at such airports that the Company may be required to fund, directly or indirectly. In some circumstances, such costs could be imposed by the relevant airport authority without the Company's approval.

In addition, operations at four major domestic airports, certain smaller domestic airports and certain foreign airports served by the Company are regulated by governmental entities through the use of slots or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period and may have other operational restrictions as well. In the U.S., the FAA currently regulates the allocation of slots or slot exemptions at DCA and two New York City airports: John F. Kennedy International Airport and LaGuardia Airport ("*LGA*"). The Company's operations at these airports generally require the allocation of slots or similar regulatory authority. Similarly, the Company's operations at international airports in Frankfurt, London Heathrow Airport ("*London Heathrow*"), Paris and other airports outside the U.S. are regulated by local slot authorities pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. The Company cannot provide any assurance that regulatory changes regarding the allocation of slots or similar regulatory authority will not have a material adverse impact on its operations.

In connection with the settlement of litigation relating to the Merger brought by the DOJ and certain states, the Company entered into settlement agreements that provide for certain asset divestitures including 52 slot pairs at DCA, 17 slot pairs at LGA and gates and related ground facilities necessary to operate those slot pairs, and two gates at each of Boston Logan International Airport, Chicago O'Hare International Airport ("*ORD*"), DAL, Los Angeles International Airport ("*LAX*") and Miami International Airport. The Company's settlement agreements also require its airlines to maintain certain hub operations and continue to provide service to certain specified communities for limited periods of time. In addition, the Company entered into a related settlement with the DOT related to small community service from DCA. Further, as a consequence of the Merger clearance process in the European Union ("*EU*"), AAG made one pair of London Heathrow slots available for use by another carrier and, along with its JBA partners, the Company made one pair of London Heathrow slots available to competitors for use for up to six years in different markets.

The Company's ability to provide service can also be impaired at airports, such as ORD and LAX, where the airport gate and other facilities are inadequate to accommodate all of the service that the Company would like to provide, or airports such as DAL where the Company has no access to gates at all.

Any limitation on the Company's ability to acquire or maintain adequate gates, ticketing facilities, operations areas, slots (where applicable), or office space could have a material adverse effect on its business, results of operations and financial condition.

**If the Company encounters problems with any of its third-party regional operators or third-party service providers, the Company's operations could be adversely affected by a resulting decline in revenue or negative public perception about its services.**

A significant portion of the Company's regional operations are conducted by third-party operators on its behalf, primarily under capacity purchase agreements. Due to the Company's reliance on third parties to provide these essential services, the Company is subject to the risks of disruptions to their operations, which may result from many of the same risk factors disclosed in this Official Statement, such as the impact of adverse economic

conditions, the inability of third parties to hire or retain necessary personnel, including in particular pilots, and other risk factors, such as an out-of-court or bankruptcy restructuring of any of the Company's regional operators. For example, one of the Company's significant third-party operators of regional capacity, Republic Airways Holdings Inc. ("*Republic*"), commenced a Chapter 11 bankruptcy case on February 25, 2016. Recently, Republic has removed from service 21 regional aircraft that they had been operating on behalf of the Company. More generally, the bankruptcy process could result in a reduction in the capacity provided to the Company by Republic, an increase in the costs of the Company, or both. The Company may also experience disruption to its regional operations if it terminates the capacity purchase agreement with one or more of its current operators and transition the services to another provider. As the Company's regional segment provides revenues to the Company directly and indirectly (by providing flow traffic to its hubs), any significant disruption to its regional operations would have a material adverse effect on its business, results of operations and financial condition.

In addition, the Company's reliance upon others to provide essential services on behalf of its operations may result in the Company's relative inability to control the efficiency and timeliness of contract services. The Company has entered into agreements with contractors to provide various facilities and services required for its operations, including distribution and sale of airline seat inventory, provision of information technology and services, regional operations, aircraft maintenance, ground services and facilities, reservations and baggage handling. Similar agreements may be entered into in any new markets the Company decides to serve. These agreements are generally subject to termination after notice by the third-party service provider. The Company is also at risk should one of these service providers cease operations, and there is no guarantee that the Company could replace these providers on a timely basis with comparably priced providers, or at all. Volatility in fuel prices, disruptions to capital markets and adverse economic conditions in general have subjected certain of these third-party regional carriers to significant financial pressures, which have led to several bankruptcies among these carriers. Any material problems with the efficiency and timeliness of contract services, resulting from financial hardships or otherwise, could have a material adverse effect on the Company's business, results of operations and financial condition.

**The Company relies on third-party distribution channels and must manage effectively the costs, rights and functionality of these channels.**

The Company relies on third-party distribution channels, including those provided by or through global distribution systems ("*GDSs*") (*e.g.*, Amadeus, Sabre and Travelport), conventional travel agents and online travel agents ("*OTAs*") (*e.g.*, Expedia, including its booking sites Orbitz and Travelocity, and The Priceline Group), to distribute a significant portion of the Company's airline tickets, and the Company expects in the future to continue to rely on these channels and hopes to expand their ability to distribute and collect revenues for ancillary products (*e.g.*, fees for selective seating). These distribution channels are more expensive and at present have less functionality in respect of ancillary product offerings than those the Company operates itself, such as its call centers and its website. Certain of these distribution channels also effectively restrict the manner in which the Company distributes its products generally. To remain competitive, the Company will need to manage successfully its distribution costs and rights, increase its distribution flexibility and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. These imperatives may affect the Company's relationships with GDSs and OTAs, including as consolidation of OTAs continues or is proposed to continue. Any inability to manage the Company's third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of its tickets could have a material adverse effect on its business, results of operations and financial condition.

**The Company's business is subject to extensive government regulation, which may result in increases in its costs, disruptions to its operations, limits on its operating flexibility, reductions in the demand for air travel, and competitive disadvantages.**

Airlines are subject to extensive domestic and international regulatory requirements. In the last several years, Congress has passed laws, and the DOT, the FAA, the U.S. Transportation Security Administration and the Department of Homeland Security have issued a number of directives and other regulations, that affect the airline industry. These requirements impose substantial costs on the Company and restrict the ways the Company may conduct its business.

For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions. The Company's failure to timely comply with these requirements has in the past and may in the future result in fines and other enforcement actions by the FAA or other regulators. In the future, new regulatory requirements could have a material adverse effect on the Company and the industry.

DOT consumer rules that took effect in 2010 require procedures for customer handling during long onboard delays, further regulate airline interactions with passengers through the reservations process, at the airport, and onboard the aircraft, and require disclosures concerning airline fares and ancillary fees such as baggage fees. The DOT has been aggressively investigating alleged violations of these rules. Other DOT rules apply to post-ticket purchase price increases and an expansion of tarmac delay regulations to international airlines.

The Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines.

The results of the Company's operations, demand for air travel, and the manner in which the Company conducts business each may be affected by changes in law and future actions taken by governmental agencies, including:

- changes in law which affect the services that can be offered by airlines in particular markets and at particular airports, or the types of fees that can be charged to passengers;
- the granting and timing of certain governmental approvals (including antitrust or foreign government approvals) needed for codesharing alliances and other arrangements with other airlines;
- restrictions on competitive practices (for example, court orders, or agency regulations or orders, that would curtail an airline's ability to respond to a competitor);
- the adoption of new passenger security standards or regulations that impact customer service standards (for example, a "passenger bill of rights");
- restrictions on airport operations, such as restrictions on the use of slots at airports or the auction or reallocation of slot rights currently held by the Company; and
- the adoption of more restrictive locally-imposed noise restrictions.

Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to airline operations and, in some cases, may reduce the demand for air travel. There can be no assurance that the Company's compliance with new rules, anticipated rules or other forms of regulatory oversight will not have a material adverse effect on the Company.

Any significant reduction in air traffic capacity at key airports in the U.S. or overseas could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, the ATC system is not successfully managing the growing demand for U.S. air travel. ATC towers are frequently understaffed in certain of the Company's hubs, and air traffic controllers rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes. The ATC system's inability to handle existing travel demand has led government agencies to implement short-term capacity constraints during peak travel periods in certain markets, resulting in delays and disruptions of air traffic. The outdated technologies also cause the ATC to be less resilient in the event of a failure. For example, in 2014, the ATC systems in Chicago took weeks to recover following a fire in the ATC tower at ORD, which resulted in thousands of cancelled flights.

On February 14, 2012, the FAA Modernization and Reform Act of 2012 was signed. The law provides funding for the FAA to rebuild its ATC system, including switching from radar to a GPS-based system. It is

uncertain when any improvements to the efficiency of the ATC system will take effect. Failure to update the ATC system in a timely manner and the substantial funding requirements that may be imposed on airlines of a modernized ATC system may have a material adverse effect on the Company's business.

The ability of U.S. airlines to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time and appropriate slots or facilities may not be made available. The Company currently operates a number of international routes under government arrangements that limit the number of airlines permitted to operate on the route, the capacity of the airlines providing services on the route, or the number of airlines allowed access to particular airports. If an open skies policy were to be adopted for any of these routes, such an event could have a material adverse impact on AAG and could result in the impairment of material amounts of its related tangible and intangible assets. In addition, competition from revenue-sharing joint ventures, JBAs, and other alliance arrangements by and among other airlines could impair the value of the Company's business and assets on the open skies routes. For example, the open skies air services agreement between the U.S. and the EU, which took effect in March 2008, provides airlines from the U.S. and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly from the U.S. to any airport in the EU, including London Heathrow. As a result of the agreement, the Company faces increased competition in these markets, including London Heathrow.

**The airline industry is heavily taxed.**

The airline industry is subject to extensive government fees and taxation that negatively impact the Company's revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a passenger facility charge per passenger on the Company. In addition, the governments of foreign countries in which the Company operates impose on U.S. airlines, including the Company, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, the Company is obligated to collect a federal excise tax, commonly referred to as the "ticket tax," on domestic and international air transportation. The Company collects the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as passenger security fees), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes are not operating expenses, they represent an additional cost to the Company's customers. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers. Increases in such taxes, fees and charges could negatively impact the Company's business, results of operations and financial condition.

Under DOT regulations, all governmental taxes and fees must be included in the prices the Company quotes or advertises to its customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus the Company's revenues.

**Changes to the Company's business model that are designed to increase revenues may not be successful and may cause operational difficulties or decreased demand.**

The Company has a number of measures designed to increase revenue and offset costs. These measures include charging separately for services that had previously been included within the price of a ticket and increasing other pre-existing fees. The Company may introduce additional initiatives in the future; however, as time goes on, the Company expects that it will be more difficult to identify and implement additional initiatives. The Company cannot provide assurance that these measures or any future initiatives will be successful in increasing its revenues. Additionally, the implementation of these initiatives may create logistical challenges that could harm the operational performance of the Company's airline. Also, any new and increased fees might reduce the demand for air travel on the Company's airline or across the industry in general, particularly if weakened economic conditions make its customers more sensitive to increased travel costs or provide a significant competitive advantage to other carriers that determine not to institute similar charges.

**The loss of key personnel upon whom the Company depends to operate its business or the inability to attract additional qualified personnel could adversely affect its business.**

The Company believes that its future success will depend in large part on its ability to retain or attract highly qualified management, technical and other personnel. The Company may not be successful in retaining key personnel or in attracting other highly qualified personnel. Any inability to retain or attract significant numbers of qualified management and other personnel would have a material adverse effect on the Company's business, results of operations and financial condition.

**The Company may be adversely affected by conflicts overseas or terrorist attacks; the travel industry continues to face ongoing security concerns.**

Acts of terrorism or fear of such attacks, including elevated national threat warnings, wars or other military conflicts, may depress air travel, particularly on international routes, and cause declines in revenues and increases in costs. The attacks of September 11, 2001 and continuing terrorist threats, attacks and attempted attacks 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 generate higher operating costs for airlines. The Aviation and Transportation Security Act mandated improved flight deck security, deployment of federal air marshals on board flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to the U.S. Customs and Border Protection Agency and enhanced background checks. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had and may continue to have a disproportionate impact on short-haul travel, which constitutes a significant portion of the Company's flying and revenue.

**The Company operates a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond the Company's control.**

The Company operates a global business with operations outside of the U.S. from which the Company derived approximately 30% of its operating revenues in 2015, as measured and reported to the DOT. The Company's current international activities and prospects have been and in the future could be adversely affected by reversals or delays in the opening of foreign markets, increased competition in international markets, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations), environmental regulation, increases in taxes and fees and changes in international government regulation of its operations, including the inability to obtain or retain needed route authorities and/or slots.

In particular, fluctuations in foreign currencies, including devaluations, exchange controls and other restrictions on the repatriation of funds, have significantly affected and may continue to significantly affect the Company's operating performance, liquidity and the value of any cash held outside the U.S. in local currency.

Generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by the Company and can significantly affect the value of its assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect the Company's business, results of operations and financial condition.

**The Company is subject to many forms of environmental and noise regulation and may incur substantial costs as a result.**

The Company is subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment and noise reduction, including those relating to emissions to the air, discharges to surface and subsurface waters, safe drinking water, and the management of hazardous

substances, oils and waste materials. Compliance with environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties.

In June 2015, the U.S. Environmental Protection Agency ("*EPA*") issued revised underground storage tank regulations that could affect airport fuel hydrant systems, as certain of those systems may need to be modified in order to comply with applicable portions of the revised regulations. Additionally, on June 4, 2015, the EPA reissued the Multi-Sector General Permit for Stormwater Discharges from Industrial Activities. Among other revisions, the reissued permit incorporates the EPA's previously issued Airport Deicing Effluent Limitation Guidelines and New Source Performance Standards. In addition, California adopted a revised State Industrial General Permit for Stormwater Discharges on April 1, 2014, which became effective July 1, 2015. This permit places additional reporting and monitoring requirements on permittees and requires implementation of mandatory best management practices. While the cost of compliance with these requirements is not expected to be significant, the Company will continue to monitor and evaluate the impact of these requirements on airport operations. In addition to the EPA and state regulations, several U.S. airport authorities are actively engaged in efforts to limit discharges of de-icing fluid to the environment, often by requiring airlines to participate in the building or reconfiguring of airport de-icing facilities. Such efforts are likely to impose additional costs and restrictions on airlines using those airports. The Company does not believe, however, that such environmental developments will have a material impact on its capital expenditures or otherwise materially adversely affect its operations, operating costs or competitive position.

The Company is also subject to other environmental laws and regulations, including those that require the Company to investigate and remediate soil or groundwater to meet certain remediation standards. Under federal law, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that the Company could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to it. The Company has liability for investigation and remediation costs at various sites, although such costs are currently not expected to have a material adverse effect on its business.

The Company has various leases and agreements with respect to real property, tanks and pipelines with airports and other operators. Under these leases and agreements, the Company has agreed to indemnify the lessor or operator against environmental liabilities associated with the real property or operations described under the agreement, in some cases even if the Company is not the party responsible for the initial event that caused the environmental damage. The Company also participates in leases with other airlines in fuel consortiums and fuel committees at airports, where such indemnities are generally joint and several among the participating airlines.

Governmental authorities in several U.S. and foreign cities are also considering, or have already implemented, aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime take offs and landings. The Company has been able to accommodate local noise restrictions imposed to date, but its operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

**The Company is subject to risks associated with climate change, including increased regulation to reduce emissions of greenhouse gases.**

There is increasing global regulatory focus on climate change and greenhouse gas ("*GHG*") emissions. For example, the EU has established the Emissions Trading Scheme ("*ETS*") to regulate GHG emissions in the EU. The EU adopted a directive in 2008 under which each EU member state is required to extend the ETS to aviation operations. This directive would have required the Company, beginning in 2012, to annually submit emission allowances in order to operate flights to and from airports in the European Economic Area ("*EEA*"), including flights between the U.S. and EU member states. However, in an effort to allow the International Civil Aviation Organization ("*ICAO*") time to propose an alternate scheme to manage global aviation emissions, in April 2013, the EU suspended for one year the ETS' application to flights entering and departing the EEA, limiting its application, for flights flown in 2012, to intra-EEA flights only. In October 2013, the ICAO Assembly adopted a resolution calling for the development through ICAO of a global, market-based scheme for aviation GHG emissions, to be finalized in 2016 and implemented in 2020. Subsequently, the EU amended the ETS so that the monitoring, reporting and submission of allowances for aviation GHG emissions will continue to be limited to only intra-EEA

flights through 2016, at which time the EU will evaluate the progress made by ICAO and determine what, if any, measures to take related to aviation GHG emissions from 2017 onwards. The U.S. enacted legislation in November 2012 which encourages the DOT to seek an international solution through ICAO and that will allow the U.S. Secretary of Transportation to prohibit U.S. airlines from participating in the ETS. The effort currently underway through ICAO to reach a global agreement on measures to manage international aviation GHG emission growth could significantly impact the Company's business, particularly to the extent that any final agreement may emphasize a collective cost sharing approach for industry emissions growth over a cost approach based on individual carrier contribution to emission growth. Ultimately, the scope and application of ETS or other emissions trading schemes to the Company's operations, now or in the near future, remains uncertain. The Company does not anticipate any significant emissions allowance expenditures in 2016. Beyond 2016, compliance with the ETS or similar emissions-related requirements could significantly increase the Company's operating costs. Further, the potential impact of ETS or other emissions-related requirements on the Company's costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances or offsets and the number of future flights subject to ETS or other emissions-related requirements. These costs have not been completely defined and could fluctuate.

In addition, in December 2015, at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC's COP21), over 190 countries, including the United States, reached an agreement to reduce global greenhouse gas emissions. While there is no express reference to aviation in this international agreement, to the extent the United States and other countries implement this agreement or impose other climate change regulations, either with respect to the aviation industry or with respect to related industries such as the aviation fuel industry, it could have an adverse direct or indirect effect on the Company's business.

Within the U.S., there is an increasing trend toward regulating GHG emissions directly under the Clean Air Act ("*CAA*"). In response to a 2012 ruling by the U.S. District Court for the District of Columbia, the EPA announced in June 2015 a proposed endangerment finding that aircraft engine GHG emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare. A public hearing regarding the proposed endangerment finding was held in August 2015. If the EPA finalizes the endangerment finding, the EPA is obligated under the CAA to set aircraft engine GHG emission standards. It is anticipated that any such standards established by the EPA would closely align with emission standards currently being developed by ICAO. In February 2016, the ICAO Committee on Aviation Environmental Protection recommended that ICAO adopt carbon dioxide certification standards that would apply to new type aircraft certified beginning in 2020, and would be phased in for newly manufactured existing aircraft type designs starting in 2023.

In addition, several states have adopted or are considering initiatives to regulate emissions of GHGs, primarily through the planned development of GHG emissions inventories and/or regional GHG cap and trade programs. These regulatory efforts, both internationally and in the U.S. at the federal and state levels, are still developing, and the Company cannot yet determine what the final regulatory programs or their impact will be in the U.S., the EU or in other areas in which the Company does business. However, such climate change-related regulatory activity in the future may adversely affect the Company's business and financial results by requiring the Company to reduce its emissions, purchase allowances or otherwise pay for its emissions. Such activity may also impact the Company indirectly by increasing its operating costs, including fuel costs.

**The Company relies heavily on technology and automated systems to operate its business, and any failure of these technologies or systems could harm the Company's business, results of operations and financial condition.**

The Company is highly dependent on technology and automated systems to operate its business and achieve low operating costs. These technologies and systems include the Company's computerized airline reservation system, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. In order for the Company's operations to work efficiently, the Company's website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information, as well as issue electronic tickets and process critical financial information in a timely manner. Substantially all of the Company's tickets are issued to passengers as electronic tickets. The Company depends on its reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic

tickets. If the Company's automated systems are not functioning or if its third-party service providers were to fail to adequately provide technical support, system maintenance or timely software upgrades for any one of its key existing systems, the Company could experience service disruptions or delays, which could harm its business and result in the loss of important data, increase its expenses and decrease its revenues. In the event that one or more of the Company's primary technology or systems vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all, and any transition time to a new system may be significant.

The Company's automated systems cannot be completely protected against other events that are beyond the Company's control, including natural disasters, power failures, terrorist attacks, cyber-attacks, data theft, equipment and software failures, computer viruses or telecommunications failures. Substantial or sustained system failures could cause service delays or failures and result in the Company's customers purchasing tickets from other airlines. The Company cannot provide assurance that its security measures, change control procedures or disaster recovery plans are adequate to prevent disruptions or delays. Disruption in or changes to these systems could result in a disruption to the Company's business and the loss of important data. Any of the foregoing could result in a material adverse effect on the Company's business, results of operations and financial condition.

**The Company faces challenges in integrating its computer, communications and other technology systems.**

Among the principal risks of integrating the Company's businesses and operations are the risks relating to integrating various computer, communications and other technology systems that will be necessary to operate US Airways and American as a single airline and to achieve cost synergies by eliminating redundancies in the businesses. While the Company has to date successfully integrated several of its systems, including its customer reservations system, the Company still has to complete several additional important system integration projects. The integration of these systems in a number of prior airline mergers has taken longer, been more disruptive and cost more than originally forecast. The implementation process to integrate these various systems will involve a number of risks that could adversely impact the Company's business, results of operations and financial condition. New systems will replace multiple legacy systems and the related implementation will be a complex and time-consuming project involving substantial expenditures for implementation consultants, system hardware, software and implementation activities, as well as the transformation of business and financial processes.

As with any large project, there will be many factors that may materially affect the schedule, cost and execution of the integration of the Company's computer, communications and other technology systems. These factors include, among others: problems during the design, implementation and testing phases; systems delays and/or malfunctions; the risk that suppliers and contractors will not perform as required under their contracts; the diversion of management attention from daily operations to the project; reworks due to unanticipated changes in business processes; challenges in simultaneously activating new systems throughout its global network; difficulty in training employees in the operations of new systems; the risk of security breach or disruption; and other unexpected events beyond the Company's control. The Company cannot provide assurance that its security measures, change control procedures or disaster recovery plans will be adequate to prevent disruptions or delays. Disruptions in or changes to these systems could result in a disruption to the Company's business and the loss of important data. Any of the foregoing could result in a material adverse effect on the Company's business, results of operations and financial condition.

**The Company is at risk of losses and adverse publicity stemming from any accident involving any of its aircraft or the aircraft of its regional or codeshare operators.**

If one of the Company's aircraft, an aircraft that is operated under its brand by one of its regional operators, or an aircraft that is operated by an airline with which it has a marketing alliance or codeshare relationship were to be involved in an accident, incident or catastrophe, the Company could be exposed to significant tort liability. The insurance the Company carries to cover damages arising from any future accidents may be inadequate. In the event that the Company's insurance is not adequate, the Company may be forced to bear substantial losses from an accident. In addition, any accident, incident or catastrophe involving an aircraft operated by the Company, operated under its brand by one of its regional operators or operated by one of its codeshare partners could create a public perception that the Company's aircraft or those of its regional operators or codeshare partners are not safe or

reliable, which could harm the Company's reputation, result in air travelers being reluctant to fly on its aircraft or those of its regional operators or codeshare partners, and adversely impact its business, results of operations and financial condition.

**Delays in scheduled aircraft deliveries or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected, may adversely impact the Company's business, results of operations and financial condition.**

The success of the Company's business depends on, among other things, effectively managing the number and types of aircraft it operates. In many cases, the aircraft the Company intends to operate are not yet in its fleet, but the Company has contractual commitments to purchase or lease them. If for any reason the Company were unable to accept or secure deliveries of new aircraft on contractually scheduled delivery dates, this could have a negative impact on its business, results of operations and financial condition. The Company's failure to integrate newly purchased aircraft into its fleet as planned might require it to seek extensions of the terms for some leased aircraft or otherwise delay the exit of certain aircraft from its fleet. Such unanticipated extensions or delays may require the Company to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs. If new aircraft orders are not filled on a timely basis, the Company could face higher operating costs than planned. In addition, if the aircraft the Company receives do not meet expected performance or quality standards, including with respect to fuel efficiency and reliability, the Company's business, results of operations and financial condition could be adversely impacted.

**The Company depends on a limited number of suppliers for aircraft, aircraft engines and parts.**

The Company depends on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, the Company is vulnerable to any problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result in customer avoidance or in actions by the FAA resulting in an inability to operate its aircraft.

**The Company's business has been and will continue to be affected by many changing economic and other conditions beyond the Company's control, including global events that affect travel behavior, and the Company's results of operations could be volatile and fluctuate due to seasonality.**

The Company's business, results of operations and financial condition has been and will continue to be affected by many changing economic and other conditions beyond the Company's control, including, among others:

- actual or potential changes in international, national, regional, and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks, or political instability;
- changes in consumer preferences, perceptions, spending patterns, or demographic trends;
- changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations, and other factors;
- actual or potential disruptions to the ATC systems;
- increases in costs of safety, security, and environmental measures;
- outbreaks of diseases that affect travel behavior; and
- weather and natural disasters.

In particular, an outbreak of a contagious disease such as Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, Zika virus, or any other similar illness, if it

were to persist for an extended period, could materially affect the airline industry and the Company by reducing revenues and adversely impacting the Company's operations and passengers' travel behavior. As a result of these or other conditions beyond the Company's control, its results of operations could be volatile and subject to rapid and unexpected change. In addition, due to generally weaker demand for air travel during the winter, the Company's revenues in the first and fourth quarters of the year could be weaker than revenues in the second and third quarters of the year.

**A higher than normal number of pilot retirements and a potential shortage of pilots could adversely affect the Company.**

The Company currently has a higher than normal number of pilots eligible for retirement. Among other things, the extension of pilot careers facilitated by the FAA's 2007 modification of the mandatory retirement age from age 60 to age 65 has now been fully implemented, resulting in large numbers of pilots in the industry approaching the revised mandatory retirement age. If pilot retirements were to exceed normal levels in the future, it may adversely affect the Company and its regional partners. On January 4, 2014, more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect. In addition, in July 2013, the FAA issued regulations that increase the flight experience required for pilots working for airlines certificated under Part 121 of the Federal Aviation Regulations. These and other factors have in the past and could in the future contribute to a shortage of qualified pilots and increased compensation costs, particularly for the Company's regional partners, which now face increased competition from large, mainline carriers to hire pilots to replace retiring pilots. If the Company or its regional partners are unable to hire adequate numbers of pilots, the Company may experience disruptions, increased costs of operations and other adverse effects.

**Increases in insurance costs or reductions in insurance coverage may adversely impact the Company's operations and financial results.**

The terrorist attacks of September 11, 2001 led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial air carriers. Accordingly, the Company's insurance costs increased significantly, and its ability to continue to obtain insurance even at current prices remains uncertain. If the Company is unable to maintain adequate insurance coverage, its business could be materially and adversely affected. 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 Company's industry, its 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 Company's financial results.

**The Company may be a party to litigation in the normal course of business or otherwise, which could affect its financial position and liquidity.**

From time to time, the Company is a party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, both inside and outside the United States, arising in the ordinary course of the Company's business or otherwise. The Company is currently involved in various legal proceedings and claims that have not yet been fully resolved and additional claims may arise in the future. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within the Company's control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to the Company's operations. Although the Company will vigorously defend itself in such legal proceedings, their ultimate resolution and potential financial and other impacts on it are uncertain. For these and other reasons, the Company may choose to settle legal proceedings and claims, regardless of their actual merit. If a legal proceeding is resolved against the Company, it could result in significant compensatory damages, and in certain circumstances punitive or trebled damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief imposed on it. If the Company's existing insurance does not cover the amount or types of damages awarded, or if other resolution or actions taken as a result of the legal proceeding were to restrain its ability to operate or market its services, the Company's consolidated financial position, results of operations or cash flows could be materially adversely

affected. In addition, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to the Company's reputation, which could adversely impact the its business.

**The Company's ability to utilize its net operating loss ("*NOL*") Carryforwards may be limited.**

Under the Internal Revenue Code of 1986, as amended, a corporation is generally allowed a deduction for net operating losses ("*NOLs*") carried over from prior taxable years ("*NOL Carryforwards*"). As of December 31, 2015, the Company had available NOL Carryforwards of approximately $8.0 billion for regular federal income tax purposes which will expire, if unused, beginning in 2023, and approximately $4.0 billion for state income tax purposes which will expire, if unused, between 2016 and 2034. As of December 31, 2015, the amount of NOL Carryforwards for state income tax purposes that will expire, if unused, in 2016 is $136 million. The Company's NOL Carryforwards are subject to adjustment on audit by the Internal Revenue Service and the respective state taxing authorities.

A corporation's ability to deduct its federal NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code ("*Section 382*") if it undergoes an "ownership change" as defined in Section 382 (generally where cumulative stock ownership changes among material stockholders exceed 50 percent during a rolling three-year period). The Company experienced an ownership change in connection with its emergence from the Chapter 11 Cases and US Airways Group experienced an ownership change in connection with the Merger. The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. The Company elected to be covered by certain special rules for federal income tax purposes that permitted approximately $9.0 billion (with $6.6 billion of unlimited NOL still remaining at December 31, 2015) of its federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. If the special rules are determined not to apply, the Company's ability to utilize such federal NOL Carryforwards may be subject to limitation. Substantially all of the Company's remaining federal NOL Carryforwards (attributable to US Airways Group and its subsidiaries) are subject to limitation under Section 382 as a result of the Merger; however, the Company's ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes.

Notwithstanding the foregoing, an ownership change subsequent to the Company's emergence from the Chapter 11 Cases may severely limit or effectively eliminate the Company's ability to utilize its NOL Carryforwards and other tax attributes. To reduce the risk of a potential adverse effect on the Company's ability to utilize its NOL Carryforwards, its Certificate of Incorporation contains transfer restrictions applicable to certain substantial stockholders. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, no assurance can be given that such an ownership change will not occur, in which case the Company's ability to utilize its NOL Carryforwards and other tax attributes could be severely limited or effectively eliminated.

The Company's ability to use its NOL Carryforwards also will depend on the amount of taxable income generated in future periods. The NOL Carryforwards may expire before the Company can generate sufficient taxable income to use them.

**AAG and American each have a significant amount of goodwill, which is tested for impairment at least annually. In addition, AAG and American may never realize the full value of their respective intangible assets or long-lived assets, causing them to record material impairment charges.**

Goodwill is not amortized, but is tested for impairment at least annually. Also, in accordance with applicable accounting standards, AAG and American will be required to test their respective indefinite-lived intangible assets for impairment on an annual basis, or more frequently if conditions indicate that an impairment may have occurred. In addition, AAG and American are required to test certain of their other long-lived assets for impairment if conditions indicate that an impairment may have occurred.

Future impairment of goodwill or other long-lived assets could be recorded in results of operations as a result of changes in assumptions, estimates, or circumstances, some of which are beyond the Company's control. Factors which could result in an impairment could include, but are not limited to: (i) reduced passenger demand as a result of domestic or global economic conditions; (ii) higher prices for jet fuel; (iii) lower fares or passenger yields

as a result of increased competition or lower demand; (iv) a significant increase in future capital expenditure commitments; and (v) significant disruptions to the Company's operations as a result of both internal and external events such as terrorist activities, actual or threatened war, labor actions by employees, or further industry regulation. There can be no assurance that a material impairment charge of goodwill or tangible or intangible assets will be avoided. The value of the Company's aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by the Company or other airlines. An impairment charge could have a material adverse effect on the Company's business, results of operations and financial condition.

**Bond Structure Risks**

**Assignment of American's Interest in the Port Authority Lease**

American will not be restricted under the Loan Agreement from assigning the Port Authority Lease to a third party, although such an assignment would require the prior written consent of the Port Authority. However, no such assignment would relieve American of its obligations under the Loan Agreement or the American Guaranty or AAG of its obligations under the AAG Guaranty.

**Circumstances Under Which the Leasehold Mortgage, the ATEIRA and the Reletting Agreement Can Terminate**

The Leasehold Mortgage, the ATEIRA and the Reletting Agreement will terminate automatically upon the occurrence of certain events as set forth in the Port Authority Consent. See APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT," and APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT." If such events were to occur, the obligations of American and of AAG under the Guaranties would cease to be secured by the Leasehold Mortgage, the ATEIRA and the Reletting Agreement.

**Termination of the Port Authority Lease**

The Port Authority has the right to terminate the Port Authority Lease following the occurrence of certain events set forth therein, subject to the rights of the Leasehold Mortgagee to cure such default, if applicable. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE" for a description of the events that give rise to the Port Authority's right to terminate the Port Authority Lease. In addition, a violation of certain covenants and representations by American under the Port Authority Consent would constitute a material breach of the Port Authority Lease, allowing the Port Authority to terminate the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Foreclosure Rights" and APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT—Summary of Certain Provisions of the Port Authority Consent—*Termination of the Port Authority Consent With Respect to the Leasehold Mortgage*." Termination of the Port Authority Lease due to a default by American thereunder (i) would be an Event of Default under the Indenture, which could cause an acceleration of the Bonds, (ii) would result in a mandatory redemption of the Bonds at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium and (iii) if the Leasehold Mortgagee has not exercised its Foreclosure Rights, would result in the termination of the Leasehold Mortgage and the ATEIRA. Such a termination of the Port Authority Lease would result in the loss of American's possession of the Premises and the loss of the rights of American and the Leasehold Mortgagee to use the Premises.

Upon the occurrence of certain Triggering Events set forth in the Port Authority Lease (which include the failure to make certain payments required under the Port Authority Lease and other agreements with the Port Authority and certain adverse changes to American), the Port Authority Lease will be deemed to be a "permitted tenancy" on a month-to-month periodical basis. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority." Under New York law, such a month-to-month tenancy could be terminated by either party, upon 30 days' notice, for any reason. Termination of the Port Authority Lease by the Port Authority or American would result in the termination of the Leasehold Mortgage and the Loan Agreement, and the redemption of all Bonds outstanding under the Indenture. See "THE SERIES 2016 BONDS—Redemption and Purchase Prior to Maturity—*Mandatory Redemption Without Premium on Termination of*

*the Loan Agreement.*" In such event the Leasehold Mortgagee may elect, subject to the satisfaction of certain requirements and significant payment obligations set forth in the ATEIRA, to require the Port Authority to execute the Reletting Agreement, pursuant to which the Leasehold Mortgagee may exercise its Reletting Rights.

**Termination of the Basic 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 any of the following:

(i) 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;

(ii) 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; or

(iii) a failure by the Port Authority to provide certain operational or financial information due under the Basic Lease, and such failure shall continue for 90 days after notice from the City to the Port Authority specifying such failure (unless such failure requires actions that cannot be done within such 90 day period by their nature or because of Unavoidable Delays (as defined below) in which case no failure shall be deemed to exist so long as the Port Authority (A) shall have commenced curing such failure within such 90 day period, (B) shall have given notice to the City of such Unavoidable Delay within 30 days of the Port Authority becoming aware of any condition or event is likely to result in an Unavoidable Delay and once per month thereafter until the Unavoidable Delay no longer exists, in each case indicating the steps taken by the Port Authority to address or extinguish such Unavoidable Delay, and (C) shall continue, subject to Unavoidable Delays, to diligently and continuously prosecute the same to completion).

"*Unavoidable Delays*" means any delays in the performance of obligations of a party to the Basic Lease due to strikes, lockouts, work stoppages due to labor jurisdictional disputes, acts of God, inability to obtain labor or materials due to governmental restrictions (other than any governmental restrictions that the City or the Port Authority is bound to observe in the normal course of affairs), enemy action, civil commotion, fire, unavoidable casualty or other similar causes beyond the control of such party (but not including such party's insolvency or financial condition) in each case provided the party claiming Unavoidable Delays shall have notified the other party within 30 days of the party becoming aware that any condition or event is likely to result in Unavoidable Delays.

Notwithstanding the foregoing, a termination described under clauses (i) or (ii) above shall not occur so long as the Port Authority lawfully and validly, as applicable (x) pays to the City within 60 days from the date of repayment or forfeiture an amount equal to so much of the lump sum payment or previously paid rent that has been repaid or forfeit, plus interest from the date of such repayment or forfeiture, as applicable and (y) within 60 days of such event, pays and thereafter continues to timely pay amounts equal to all rent as would have been paid under the terms of, and reasonably close to the times set forth in, the Basic Lease, had the same not been held to be invalid, unenforceable or both. Additionally, an event of the kind described under clause (ii) above with respect to a lump sum payment shall not cause the termination of the Basic Lease if the Port Authority uses best efforts to lawfully and validly pay to the City an amount equal to the lump sum payment or portion thereof that was repaid or forfeited, together with interest from the date of repayment or forfeiture, and there is no other event of default under the Basic Lease; provided that if such payment is not lawfully and validly made within two years from the date of such event, the City may thereafter terminate the Basic Lease.

The termination of the Basic Lease would result in loss of the Port Authority's rights in the Premises, American's rights under the Port Authority Lease and the rights of the Leasehold Mortgagee under the Leasehold Mortgage, the ATEIRA and the Reletting Agreement. Termination of the Basic Lease would also result in the mandatory redemption of the Series 2016 Bonds at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. In the event of the termination of the Basic Lease, the City would not be under any obligation to continue to grant American possession of the Premises or to recognize any right of American or the Leasehold Mortgagee to use the Facility, and no

assurance can be given that American or the Leasehold Mortgagee could successfully reach an agreement with the City to retain such rights.

A copy of the Basic Lease is on file at the principal office of the Trustee and is available for review upon request.

**Insurance Coverage**

American is obligated under the Port Authority Lease to obtain and keep in force, or cause to be kept in force, certain comprehensive insurance with respect to the Facility to the extent of the replacement value thereof, as well as business interruption insurance. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Insurance." There is no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which American is insured will cover all unanticipated losses.

The Port Authority Lease provides that the proceeds of insurance coverages will be payable to the Port Authority. In the event of partial or total loss of the Facility, the proceeds of casualty insurance may not be sufficient to rebuild the Facility or be available for redemption of the Bonds.

If American is unable to rebuild or restore the Facility or if it estimates that it will be unable to rebuild or restore the Facility within the periods required by the Port Authority Lease, the Port Authority Lease could be terminated. There can be no assurance that any business interruption insurance will be sufficient to pay amounts due under the Port Authority Lease and principal of and interest on the Bonds during the period of rebuilding.

**No Mortgage Title Insurance; Recording of Leasehold Mortgage**

No mortgage title insurance has been or will be obtained in connection with the Series 2016 Bonds. In addition, there can be no assurance that the Leasehold Mortgage will be accepted by the New York City Register's Office when initially filed. If recording of the Leasehold Mortgage is delayed, there will be no protection against liens, judgments or other encumbrances that might arise prior to the acceptance of the Leasehold Mortgage for recording by the City Register.

**Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage**

Upon and during a Leasehold Mortgage Default, the Leasehold Mortgagee may seek to foreclose upon American's leasehold interest in the Premises under the Port Authority Lease. Certain practical and legal considerations, however, could inhibit or materially delay the Leasehold Mortgagee's ability to foreclose upon American's interest in the Port Authority Lease and could otherwise preclude the receipt of sufficient revenues following a foreclosure to repay all the Bonds.

*Effect of American Bankruptcy on Leasehold Mortgage*. While the Leasehold Mortgage would enable the Bondholders to be treated as secured creditors in a bankruptcy proceeding involving American, the automatic stay provisions of the Bankruptcy Code would mean that the Leasehold Mortgagee would not be able to foreclose on the Leasehold Mortgage during the pendency of the bankruptcy proceeding without bankruptcy court approval. As part of a plan of reorganization in bankruptcy, American could seek to retain possession of the Premises and emerge from bankruptcy, but because of the security provided by the Leasehold Mortgage, American could be required in that event to pay to the Trustee pursuant to the plan of reorganization, as a secured creditor representing the Bondholders, the value of American's leasehold interest in the Premises represented by the Port Authority Lease. Any amounts owed by American with respect to the Bonds pursuant to the Loan Agreement in excess of the value of American's leasehold interest in the Premises would be treated as an unsecured claim. No market valuation of American's leasehold interest in the Premises has been prepared in connection with the offering of the Series 2016 Bonds, and the actual valuation of American's leasehold interest in the Premises and the appropriate valuation methodology could be issues that a bankruptcy court would review. As a result, there can be no assurance regarding the likelihood that a fully secured claim would exist. If American does not desire to retain the Premises, American's leasehold interest in the Premises could be sold under the supervision of the bankruptcy court. In that event, the

Trustee's security interest could attach to the proceeds of the sale, and the Trustee would be entitled to an unsecured claim for any shortfall between the amounts that would be due under the Loan Agreement with respect to the Bonds and the sale proceeds. During the pendency of a bankruptcy proceeding involving American, the Trustee could seek to obtain adequate protection payments under Section 361 of the Bankruptcy Code for the diminution in value caused by American's ongoing use of the Premises, but such orders are highly discretionary and there is no assurance that the bankruptcy court would order any immediate payments to the Trustee during the pendency of the case. Since prepetition claims are not typically paid during a bankruptcy, absent special circumstances, such as the granting of adequate protection under Section 361 of the Bankruptcy Code, there can be no assurance that American will not suspend its payments in respect of the Bonds during the pendency of any bankruptcy proceedings.

*Limited Foreclosure Period*. If American does not consent to the assignment of its rights and obligations with respect to the Premises to a new tenant following a Leasehold Mortgage Default or surrender its interest in the Premises, the Leasehold Mortgagee will have a maximum of 1,095 days following the delivery by the Leasehold Mortgagee to the Port Authority of the Foreclosure Notice stating the Leasehold Mortgagee's intention to exercise its rights under the Leasehold Mortgage to foreclose upon American's leasehold interest in the Premises pursuant to the Leasehold Mortgage. Under New York law, the Leasehold Mortgagee must comply with many procedural requirements to foreclose on the Leasehold Mortgage. These include time-consuming filing and notice requirements. In addition, a judgment of foreclosure must be obtained from applicable administrative and/or judicial authorities and acted upon by the local sheriff. It is possible, particularly if American or any of its other creditors challenge the foreclosure, that the Leasehold Mortgagee may not be able to foreclose within the 1,095 day time period and, in such event, the Leasehold Mortgage and the ATEIRA would terminate and the Leasehold Mortgagee would lose its Foreclosure Rights and its Reletting Rights for the Premises.

*Leasehold Mortgagee's Obligations During Foreclosure Period*. As a condition to exercising its rights under the Leasehold Mortgage, the Leasehold Mortgagee must pay to the Port Authority the Leasehold Mortgagee's Foreclosure Period Commencement Payments at the time the Leasehold Mortgagee delivers the Foreclosure Notice. Further, the Leasehold Mortgagee will thereafter be responsible for paying the Leasehold Mortgagee's Foreclosure Period Current Basis Payments not paid by American under the Port Authority Lease from and after the date it elects to enforce its rights under the Leasehold Mortgage. See "SECURITY FOR THE SERIES 2016 BONDS — The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure— Foreclosure Period Payments*." Pursuant to the Indenture, the Issuer will establish a Foreclosure Payment Account held in the Mortgage Reserve Fund, which will be funded by American in the amount of $21.5 million at the time the Series 2016 Bonds are issued. See "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure—Foreclosure Period Payments*," and APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Mortgage Reserve Fund." Amounts in the Foreclosure Payment Account may be used to preserve the rights of the Leasehold Mortgagee under the Port Authority Lease while the Leasehold Mortgagee is foreclosing the Leasehold Mortgage or to preserve the Reletting Rights. Amounts required to be paid by American under the Port Authority Lease may be highly variable and are expected to increase over time. The rent payable by American for the Premises under the Port Authority Lease consists of several components, some of which do not commence until, or cease to apply upon, the occurrence of certain dates or events, and some of which are subject to abatement or to annual increases based upon certain methodologies. See APPENDIX F— "SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent." As of May 1, 2016, the estimated annual rent payable by American under the Port Authority Lease is approximately $18.6 million. Such amount is highly variable. There can be no assurance that the Foreclosure Payment Account of the Mortgage Reserve Fund will, in fact, be adequate for its purpose. If the Foreclosure Payment Account of the Mortgage Reserve Fund is not sufficient, the Bondholders may be compelled to choose between providing additional funds to the Leasehold Mortgagee for that purpose on the one hand and losing their rights under the Leasehold Mortgage, the ATEIRA and the Reletting Agreement on the other hand.

*One Time Right*. The provisions of the Port Authority Lease governing the Leasehold Mortgage permit American to grant the Leasehold Mortgage one time only. Once the Foreclosure Period begins, any failure of the Leasehold Mortgagee to file any notices, to make any payments or to comply with any other relevant provision of the Port Authority Lease will terminate the Foreclosure Rights and the Reletting Rights forever. In addition, the Port Authority Lease provides that subsequent tenants will not be allowed to mortgage their interests in the Premises. Upon the assignment of the Port Authority Lease to an Approved Successor Lessee, the ATEIRA and the Reletting Rights will terminate.

*Uncertain Gate Demand; Availability of Competing Facilities*. The likelihood that the Leasehold Mortgagee would be able to find an Approved Successor Lessee for the Premises willing to pay both rent to the Port Authority and amounts to the Leasehold Mortgagee in respect of the Bonds would be affected by the supply of and demand for gates at the Airport. Such supply and demand cannot be predicted at this time and could be affected by such factors as an economic downturn in the area at the time the Leasehold Mortgagee is seeking an Approved Successor Lessee, particularly if competing facilities are available at lower cost. In any event, no assurance can be given as to whether the Leasehold Mortgagee can obtain an Approved Successor Lessee.

*Assumption of Bond Obligations*. Finding an Approved Successor Lessee willing to pay any amounts with respect to the Bonds then outstanding may be difficult, especially if there are other facilities available at the Airport.

*Limitations on Approved Successor Lessee*. Any proposed Approved Successor Lessee is subject to approval of the Port Authority. As described above under "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Approved Successor Lessee During Foreclosure Period; Qualification Standards*," the Port Authority is entitled to consider a number of factors in determining whether to provide its consent to a proposed Approved Successor Lessee selected by the Leasehold Mortgagee. Some of the factors the Port Authority may consider in deciding whether to approve a proposed replacement tenant provide the Port Authority with significant discretion to reject any proposed replacement tenant.

**Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the ATEIRA and the Reletting Agreement**

*Leasehold Mortgagee's Obligations Under ATEIRA*. As a condition to exercising its right under the ATEIRA to require the Port Authority to execute the Reletting Agreement, the Leasehold Mortgagee must pay to the Port Authority the Leasehold Mortgagee's Commencement Payment Obligations. Amounts, if any, remaining in the Mortgage Reserve Fund may be used for this purpose. See "—Limitations upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage—*Leasehold Mortgagee's Obligations During Foreclosure Period*" above.

*Leasehold Mortgagee's Obligations Under Reletting Agreement*. As a condition to exercising its Reletting Rights under the Reletting Agreement, the Leasehold Mortgagee must pay to the Port Authority all current Leasehold Mortgagee's Payment Obligations. Amounts, if any, remaining in the Mortgage Reserve Fund may be used for this purpose. See "—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage—*Leasehold Mortgagee's Obligations During Foreclosure Period*" above and APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT—Summary of Certain Provisions of the Agreement to Enter Into Reletting Agreement—*Execution of Reletting Agreement*." In addition, the Leasehold Mortgagee must perform or cause to be performed the Leasehold Mortgagee's Performance Obligations. See APPENDIX I—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT—Summary of Certain Provisions of the Reletting Agreement—*Leasehold Mortgagee's Obligations*." These are substantial obligations that could reduce or eliminate the amount of revenues available to the Leasehold Mortgagee from the exercise of the Reletting Rights to pay debt service on the Bonds.

*The Terminal 4 Covenant May Significantly Impair the Exercise of the Reletting Rights.* Pursuant to the lease of Terminal 4 at the Airport (the "*T-4 Lease*") between the Port Authority and JFK International Air Terminal LLC, the Port Authority has covenanted that, subject to certain exceptions, it will not itself construct or operate an airline terminal that includes premises to be made available to the United States for inspection of airline passengers and their baggage by United States Customs and Immigration ("*FIS Premises*"), such as the Facility, but it may enter into an agreement at the Airport for the construction or operation of an airline terminal that includes FIS Premises with either (i) any person that is a Scheduled Aircraft Operator or (ii) any person that is wholly owned by one or more Scheduled Aircraft Operators and formed to provide air terminal operation services predominantly to such Scheduled Aircraft Operators. Pursuant to a subsequent amendment to the T-4 Lease, the Port Authority may also operate an airline terminal that includes FIS Premises, so long as such airline terminal is to be *primarily* (emphasis added) utilized by one or more Scheduled Aircraft Operators who do not hold a Foreign Air Carrier Permit or a substantially similar permit. The above covenant of the Port Authority, as so amended, and as it may be further amended by an amendment that (x) renders such covenant less restrictive to the Port Authority but (y) does

not restrict to a greater degree, or require the Port Authority to restrict to a greater degree, the use of the Premises, is referred to herein as the "*Terminal 4 Covenant.*"

American is a Scheduled Aircraft Operator for purposes of the Terminal 4 Covenant. Consequently, American's lease of the Premises under the Port Authority Lease does not violate the Terminal 4 Covenant. Similarly, the right of the Leasehold Mortgagee, during the Foreclosure Period, to present a single Approved Successor Lessee to the Port Authority (see "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Approved Successor Lessee During Foreclosure Period; Qualification Standards*") would not violate the Terminal 4 Covenant so long as the Approved Successor Lessee is a Scheduled Aircraft Operator.

However, in the event the Reletting Agreement is executed, the ability of the Leasehold Mortgagee to cause the Port Authority to enter into subleases with one or more Approved Sublessees would be restricted by the requirement of the Terminal 4 Covenant that the Facility be "primarily" utilized by one or more Scheduled Aircraft Operators who do not hold a Foreign Air Carrier Permit (or its equivalent). This would limit the available field of potential Approved Sublessees for the Facility in the event the Reletting Agreement is executed. The Port Authority has not indicated how it will interpret this portion of the Terminal 4 Covenant. Moreover, there are no restrictions on the ability of the Port Authority to obtain a waiver or amendment of the Terminal 4 Covenant with respect to any Gate to which American has lost its rights under the Port Authority Lease (see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Reallocation and Recapture of Gate Positions"), or to which the Leasehold Mortgagee has lost its Reletting Rights (see "*—Right of the Port Authority to Terminate the Reletting Rights to Specified Gates*" below). These factors could reduce the amount of revenues available to the Leasehold Mortgagee from the exercise of the Reletting Rights to pay debt service on the Bonds.

*Right of the Port Authority to Recapture Specified Gates*. As described in APPENDIX F —"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Reallocation and Recapture of Gate Positions," the Port Authority has the right under the Port Authority Lease to reallocate to other airlines or recapture Gates leased to American under the Port Authority Lease in certain circumstances. The reallocation or recapture of any Gate or Gates pursuant to the provisions of the Port Authority Lease will reduce the amount of revenues available to the Leasehold Mortgagee from the exercise of the Foreclosure Rights or the Reletting Rights to pay debt service on the Bonds.

*Right of the Port Authority to Terminate the Reletting Rights to Specified Gates*. As described above under "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—ATEIRA, *Reletting Agreement and Reletting Rights*," the Port Authority has the right under the Reletting Agreement to terminate the Leasehold Mortgagee's Reletting Rights with respect to one or more Gates to the extent the results of the Leasehold Mortgagee's exercise of such rights do not meet certain utilization requirements with respect to air passenger traffic. The loss of the Reletting Rights with respect to any Gate or Gates will reduce the amount of revenues available to the Leasehold Mortgagee from the exercise of the Reletting Rights to pay debt service on the Bonds.

*Uncertain Gate Demand; Availability of Competing Facilities*. The likelihood that the Leasehold Mortgagee would be able to find Approved Sublessees for the Premises willing to pay both rent to the Port Authority and amounts to the Leasehold Mortgagee in respect of the Bonds would be affected by the supply of and demand for gates at the Airport. Such supply and demand cannot be predicted at this time and could be affected by such factors as an economic downturn in the area at any time the Leasehold Mortgagee is seeking Approved Sublessees, particularly if competing facilities are available at lower cost. In any event, no assurance can be given as to whether the Leasehold Mortgagee can obtain any Approved Sublessees.

In addition, any recapture of Gates by the Port Authority during the term of the Port Authority Lease or the termination of the Reletting Rights as to Gates by the Port Authority under the Reletting Agreement as described above in "*—Right of the Port Authority to Recapture Specified Gates*" and "*—Right of the Port Authority to Terminate the Reletting Rights to Specified Gates*" would mean that the Port Authority would be leasing Gates at the Facility in direct competition with the Leasehold Mortgagee. These circumstances could reduce the revenues available to the Leasehold Mortgagee to pay debt service on the Bonds.

*Assumption of Bond Obligations*. Finding Approved Sublessees willing to pay any amounts with respect to the Bonds then outstanding may be difficult, especially if there are other facilities available at the Airport.

*Limitations on Approved Sublessees*. Any proposed Approved Sublessee is subject to approval of the Port Authority. As described above under "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*ATEIRA, Reletting Agreement and Reletting Rights; Approved Sublessees—Qualifications*" the Port Authority is entitled to consider a number of factors in determining whether to provide its consent to a proposed Approved Sublessee selected by the Leasehold Mortgagee. Some of the factors the Port Authority may consider in deciding whether to approve a proposed tenant provide the Port Authority with significant discretion to reject any proposed tenant.

**Valuation of the Port Authority Lease**

The realizable value of the security provided by the Leasehold Mortgage, the ATEIRA and the Reletting Agreement in a bankruptcy proceeding with respect to American in the event that American assumes the Port Authority Lease will determine the amount of the Bondholders' claim as secured creditors. Any issuance of Additional Bonds could dilute the value of the security relating to the then outstanding Bonds.

There is no bright line rule under Section 506 of the Bankruptcy Code for the valuation of secured claims in bankruptcy and courts have used different methodologies (such as going concern value or liquidation value) to determine value. Given that bankruptcy courts will undertake valuation on a case-by-case basis, using the perceived most appropriate methodology, predicting the precise valuation of the Leasehold Mortgage in bankruptcy is difficult. Additionally, lease conditions or the court's view of the effect of the possible rejection of the Port Authority Lease on the Leasehold Mortgage may affect and negatively impact the value ascribed to the Leasehold Mortgage.

**Bankruptcy of the City**

The New York Local Finance Law (McKinney's Local Finance Law) currently authorizes the City to be a debtor under the applicable provisions of the United States Bankruptcy Code with respect to municipalities. If the City should file a proceeding under Chapter 9 of the United States Bankruptcy Code, it is possible that actions could be taken in that case, despite the existence of Section 929 of the United States Bankruptcy Code, which would impact or alter the Basic Lease, thereby impacting the Port Authority Lease. Such actions could adversely affect the security for the Series 2016 Bonds and any Additional Bonds.

**Possible Loss of Tax-Exempt Status of Interest on Series 2016 Bonds**

On the date of issuance of the Series 2016 Bonds, Co-Bond Counsel will render their opinions with respect to the tax-exempt status of the interest on the Series 2016 Bonds, the form of which opinion is set forth in APPENDIX J—"FORM OF OPINIONS OF CO-BOND COUNSEL." See also "TAX MATTERS."

If the interest on the Series 2016 Bonds is determined to be includable in gross income of holders or Beneficial Owners of the Series 2016 Bonds for federal tax purposes as a result of a violation by American of its covenants in the Loan Agreement or any action taken by the Port Authority or any other person with respect to the Premises, the Series 2016 Bonds will be subject to mandatory redemption as described under "THE SERIES 2016 BONDS—Redemption and Purchase Prior to Maturity—*Mandatory Redemption Without Premium upon the Occurrence of a Determination of Taxability*." In such event, there will be no adjustment in the interest rate on the Series 2016 Bonds and the owners will not be indemnified against losses sustained as a result of a determination that the interest (and any original issue discount) on the Series 2016 Bonds is not excludable from gross income for federal income tax purposes. Further, a determination that the interest (and any original issue discount) on the Series 2016 Bonds is includable in gross income of the holders or Beneficial Owners may not occur for a substantial period of time after interest (and any original issue discount) first becomes includable in the gross income of the owners thereof for federal income tax purposes. Additionally, if the lien of the Indenture has been defeased pursuant to the provisions thereof summarized in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE

INDENTURE—Discharge of the Indenture and Defeasance," the Series 2016 Bonds will not be subject to mandatory redemption upon the occurrence of a Determination of Taxability.

The loss of the exclusion of the interest (and any original issue discount) on any Series 2016 Bonds from gross income of the owners thereof for federal income tax purposes could be retroactive to the date of issuance of the Series 2016 Bonds. The tax liability of the owners of any Series 2016 Bonds for failure to include interest on such Series 2016 Bonds in their gross income may extend to years for which interest was received or accrued on such Series 2016 Bonds, or some portion thereof, and for which the relevant statute of limitations has not yet run. If all of the Series 2016 Bonds are redeemed as described under "THE SERIES 2016 BONDS—Redemption and Purchase Prior to Maturity," then the failure by American to observe or perform a covenant or agreement in the Loan Agreement or the inaccuracy of any representation or warranty made by American in the Loan Agreement or the Tax Certificate (as defined in the first paragraph under "TAX MATTERS"), either of which results in a Determination of Taxability, shall not constitute an Event of Default under the Loan Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2016 Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by American.

Potential purchasers of the Series 2016 Bonds should consult their tax advisors regarding the consequences of the loss of the exclusion of interest on the Series 2016 Bonds from gross income.

**Limitation of Remedies**

The remedies available to the Issuer, the Trustee, the Leasehold Mortgagee, and the owners of the Bonds upon an event of default under the Loan Agreement, the Indenture, the Leasehold Mortgage, and the Guaranties are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified in such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Series 2016 Bonds will be qualified as to enforceability of the various documents by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally**.**

## 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 2016 Bonds for interest on the Series 2016 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 2016 Bonds and the use of the Facility, 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 2016 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 increase the interest rate on the Series 2016 Bonds or to indemnify Bondholders for resulting costs and losses (*e.g.*, tax deficiencies, interest and penalties, loss of market value of Series 2016 Bonds, etc.). See "THE SERIES 2016 BONDS—Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability." See "RISK FACTORS —Possible Loss of Tax-Exempt Status of Interest on Series 2016 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 American (the "*Tax Certificate*"), and accompanying documents, exhibits, and certificates, the Issuer and American 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 American 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 American can, 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 American (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 2016 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 2016 Bond in gross income for federal income tax purposes during the period that such Series 2016 Bond is held by a "substantial user" of the facilities refinanced by the Series 2016 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 2016 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 J hereto for the proposed form of the approving opinion expected to be rendered by Co-Bond Counsel in connection with the Series 2016 Bonds.

Certain maturities of the Series 2016 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 maturities of the Series 2016 Bonds sold at their initial offering prices (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 2016 Bonds from gross income for federal income tax purposes but are 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 American, 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 American 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 2016 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 2016 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 2016 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 American (and their successors) with the requirements of the Code that must be met in order for interest on the Series 2016 Bonds to be not includable in gross income for federal income tax purposes, interest on the Series 2016 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 2016 Bond in taxable income for purposes of such personal income taxes during the period that such Series 2016 Bond is held by a "substantial user" of the facilities refinanced by the Series 2016 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 2016 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016 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 2016 Bonds under federal or state law or otherwise prevent holders or beneficial owners of the Series 2016 Bonds from realizing the full current benefit of the expected tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on bonds like the Series 2016 Bonds to some extent for high-income individuals. It is not possible to predict whether or in what form such legislative proposals (or other proposals which may adversely affect the value of, or the tax status of, interest on municipal bonds, including the Series 2016 Bonds) will be introduced as bills into Congress or enacted as legislation. Prospective purchasers of the Series 2016 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 IRS, including but not limited to regulation, ruling, or selection of the Series 2016 Bonds for audit examination, or the course or result of any IRS examination of the Series 2016 Bonds, or obligations which present similar tax issues, will not affect the market prices and marketability of the Series 2016 Bonds.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2016 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 2016 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 2016 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 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Issuer, American or the holders or beneficial owners of the Series 2016 Bonds regarding the tax status of interest on the Series 2016 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 2016 Bonds, under current procedures parties other than the Issuer, American and their appointed counsel, including the holders or beneficial owners of the Series 2016 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 American legitimately disagrees, may not be practical. Any action of the IRS, including but not limited to selection of the Series 2016 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 2016 Bonds, and may cause the Issuer, American, and the holders or beneficial owners of the Series 2016 Bonds to incur significant expense.

## RATINGS

Fitch Ratings ("*Fitch*") and Standard & Poor's Ratings Services ("*S&P*") have assigned their municipal bond ratings of "BB" and "BB-", respectively, to the Series 2016 Bonds. Ratings reflect only the views of the respective rating agencies assigning such ratings at the time such ratings are given, and an explanation of the significance of such ratings may be obtained from such respective rating agencies. 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 respective rating agencies if, in their judgment, circumstances so warrant. Any such downward change in or suspension or withdrawal of any such ratings may have an adverse effect on the market price of the Series 2016 Bonds. The Issuer and the Underwriters have undertaken no responsibility to bring to the attention of the registered owners of the Series 2016 Bonds any proposed changes in or withdrawals of such ratings or to oppose any such revisions or withdrawals.

## UNDERWRITING

Pursuant to the terms of the Bond Purchase Agreement dated June 7, 2016 (the "*Bond Purchase Agreement*") among American, AAG, the Issuer and Citigroup Global Markets Inc., as representative of itself and the other underwriters named therein (collectively, the "*Underwriters*"), the Underwriters have agreed to purchase the Series 2016 Bonds at a purchase price of $901,131,276.20, which is the par amount of the Series 2016 Bonds of $844,210,000.00, plus an original issue premium of $62,416,356.05, less an underwriting discount of $5,495,079.85. The Bond Purchase Agreement provides that the obligation of the Underwriters is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2016 Bonds if any of the Series 2016 Bonds are purchased. The Series 2016 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2016 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering price. American and AAG have agreed to indemnify the Underwriters and the Issuer against certain liabilities or to contribute to any payments required to be made by the Underwriters or the Issuer relating to such liabilities, including liabilities under the federal securities laws.

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

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer, American, or AAG. The Underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Various of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated as underwriters of the Series 2016 Bonds) for the distribution of the Series 2016 Bonds at the original public offering prices. Such agreements generally provide that the applicable Underwriter will share a portion of its underwriting compensation with such other broker-dealers.

Citigroup Global Markets Inc., as one of the underwriters of the Series 2016 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 Series 2016 Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, as one of the underwriters of the Series 2016 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2016 Bonds.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the underwriters of the Series 2016 Bonds.

## CONTINUING DISCLOSURE

In connection with the issuance of the Series 2016 Bonds, American and AAG will enter into a Continuing Disclosure Undertaking dated the date of issuance of the Series 2016 Bonds (the "*Undertaking*") for the benefit of the beneficial owners of the Series 2016 Bonds.

American and AAG will agree, under the Undertaking, to send certain information annually and provide notice of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*"). The information to be provided on an annual basis, the events that will be noticed on an occurrence basis, and a summary of the terms of the Undertaking, including termination, amendment, and remedies, are set forth below under "THE UNDERTAKING."

A failure by American or AAG to comply with the Undertaking will not constitute an Event of Default under the Loan Agreement, the Indenture or the Guaranties, or any other agreements, and beneficial owners of the Series 2016 Bonds are limited to the remedies described in the Undertaking. See "THE UNDERTAKING—Consequences of Failure of American or AAG to Provide Information." A failure by American or AAG to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2016 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2016 Bonds and their market price.

At times during the previous five years, American and AAG failed to comply fully with certain of their undertakings to timely file notices with the MSRB pursuant to written agreements required by the Rule in connection with certain prior municipal bond offerings undertaken for their benefit, including with respect to notice of Commission filing of certain Annual Reports on Form 10-K, certain ratings changes, and the bankruptcy proceedings of AAG and American. As of the date of this Official Statement, American and AAG have made certain corrective filings with respect thereto. Going forward, American and AAG intend to comply with the Undertaking and with their similar continuing disclosure obligations in connection with other municipal bond offerings undertaken for their benefit and have reviewed their existing procedures to ensure future compliance.

## THE UNDERTAKING

The following is a summary of certain provisions of the Undertaking of American and AAG. This summary does not purport to be complete and reference is made to the Undertaking for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Undertaking and are included for ease of reference only.

### Annual Financial Information Disclosure

Under the Undertaking, each of American and AAG will covenant to disseminate its Annual Financial Information and its Audited Financial Statements (each as described below) to the MRSB's Electronic Municipal Market Access system ("*EMMA*") annually. For so long as American or AAG, as applicable, is a reporting

company under the Exchange Act, American or AAG, as applicable, may satisfy its obligation by sending a timely notice to the MSRB indicating that its respective Annual Report on Form 10-K filed with the Commission, in accordance with the Exchange Act, constitutes its respective Annual Financial Information and Audited Financial Statements for that year.

For purposes of the Undertaking, "*Annual Financial Information*" of American or AAG means financial information and operating data of the type contained in the Annual Report on Form 10-K filed with the Commission by American or AAG, as the case may be, in accordance with the Exchange Act, and such other material included therewith or incorporated by reference therein, or, if American or AAG should cease to be a reporting company under the Exchange Act, then financial information and operating data of the type that would be provided to the Commission if American or AAG, as applicable, were such a reporting company.

"*Audited Financial Statements*" means the audited financial statements of American or AAG, respectively, prepared in accordance with the rules of the Commission for preparing audited financial statements to be filed as part of a Form 10-K, for so long as American or AAG, as applicable, is a reporting company under the Exchange Act, or, if American or AAG, as applicable, ceases to be a reporting company, then prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

**Events Notification; Listed Events Disclosure**

Under the Undertaking, each of American and AAG will covenant to disseminate to the MSRB, in a timely manner not in excess of ten business days after the occurrence of a Listed Event (as described below) with respect to the Series 2016 Bonds, disclosure related to the occurrence of such Listed Event. The "*Listed Events*" are:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the United States Internal Revenue Service of proposed or final determinations 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 2016 Bonds, or other material event affecting the tax status of the Series 2016 Bonds;

7. Modifications to the rights of holders of the Series 2016 Bonds, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Series 2016 Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of American or AAG;

13. The consummation of a merger, consolidation, or acquisition involving American or AAG or the sale of all or substantially all of the assets of American or AAG, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the Listed Event identified in number 12 in the list above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for American or AAG in a proceeding under the Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of American or AAG, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of American or AAG.

**Consequences of Failure of American or AAG to Provide Information**

American or AAG, as applicable, shall give notice in a timely manner to the MSRB of any failure by it to provide disclosure of Annual Financial Information and Audited Financial Statements when the same is due under the Undertaking.

In the event of a failure of American or AAG to comply with any provision of the Undertaking, the Beneficial Owner of any Series 2016 Bond may take such actions as may be appropriate, including seeking mandamus or specific performance by court order, to cause American or AAG to do so. The beneficial owners of 25% or more in principal amount of the outstanding Series 2016 Bonds may challenge the adequacy of the information provided under the Undertaking and seek mandamus or specific performance by court order to cause the American or AAG to provide the information required by the Undertaking. A default under the Undertaking will not be deemed an Event of Default under the Loan Agreement, the Indenture or the Guaranties, and the sole remedy under the Undertaking in the event of any failure of American or AAG to comply with the Undertaking is an action to compel performance.

**Amendment; Waiver**

Notwithstanding any other provision of the Undertaking, American and AAG may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of American or AAG or a change in the type of business conducted by American or AAG;

(b) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the remarketing of the Series 2016 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; or

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2016 Bonds, as determined either by parties unaffiliated with the Issuer, American or AAG (such as the Trustee or Bond Counsel), or by an approving vote of the Bondholders pursuant to the terms of the Indenture at the time of the amendment.

**Termination of the Undertaking**

The Undertaking will terminate as to American or AAG if American or AAG, as the case may be, no longer has any legal liability for any obligation on or relating to repayment of the Series 2016 Bonds under the Indenture, the Loan Agreement or the Guaranties. The Undertaking also shall terminate upon (i) the Rule being withdrawn or having been found by a court of competent jurisdiction to be invalid, or (ii) receipt by American and AAG of an Opinion of Counsel to the effect that the Rule is no longer applicable to the Series 2016 Bonds.

Neither American nor AAG has any obligation to provide continuing disclosure pursuant to the Undertaking with respect to any Series 2016 Bonds that bear interest at an interest rate other than a Long-Term

Interest Rate. The Undertaking terminates with respect to Series 2016 Bonds that bear interest at rates other than a Long-Term Interest Rate, but must be reinstated, or a new continuing disclosure undertaking must be entered into, in connection with any subsequent adjustment of the interest rate on the Series 2016 Bonds to a Long-Term Interest Rate, if required by law at such time.

**Additional Information**

Nothing in the Undertaking shall be deemed to prevent American or AAG, as the case may be, from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Listed Event, in addition to that which is required by the Undertaking. If American or AAG, as the case may be, chooses to include any additional information beyond that which is specifically required by the Undertaking, neither American nor AAG, as the case may be, shall have any obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Listed Event.

**Dissemination Agent**

American or AAG may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its respective obligations under the Undertaking, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

**Assignment**

The Undertaking will provide that American shall not transfer its obligations under the Loan Agreement or the American Guaranty unless the transferee agrees to assume all obligations of American under the Undertaking or to execute a new undertaking under the Rule. AAG shall not transfer its obligations under the AAG Guaranty unless the transferee agrees to assume all obligations of AAG under the Undertaking or to execute a new undertaking under the Rule.

## APPROVAL OF LEGAL PROCEEDINGS

Winston & Strawn LLP and the Hardwick Law Firm, LLC, are Co-Bond Counsel for the issuance of the Bonds. The text of the proposed form of approving opinions of Co-Bond Counsel to be rendered in connection with the issuance of the Bonds is included herein as APPENDIX J. 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 Port Authority by the Office of General Counsel of the Port Authority, for the Issuer by its General Counsel, for American and AAG by their counsel, Debevoise & Plimpton LLP and Latham & Watkins LLP, and for the Underwriters by their counsel, O'Melveny & Myers LLP.

## MISCELLANEOUS

The foregoing summaries and the summaries contained in APPENDICES C through I hereof do not purport to be complete and are expressly made subject to the exact provisions of the applicable documents. For details of all terms and conditions, reference is made to the Loan Agreement, the Indenture, the Guaranties, the Port Authority Lease, the Port Authority Consent, the Leasehold Mortgage and the Agreement to Enter Into Reletting Agreement and the Reletting Agreement, copies of which may be obtained from the principal corporate trust office of the Trustee in New York, New York. Information concerning American and AAG is contained or incorporated by reference in APPENDIX A to this Official Statement.

# APPENDIX A

**AMERICAN AIRLINES, INC.**
**AND**
**AMERICAN AIRLINES GROUP INC.**

The information contained in this APPENDIX A to this Official Statement relates to and has been supplied by American Airlines, Inc. and American Airlines Group Inc. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of American Airlines, Inc. or American Airlines Group Inc. since the date hereof or that the information contained or referred to in this APPENDIX A is correct as of any time subsequent to its date.

**AMERICAN AIRLINES, INC.**

**AND**

**AMERICAN AIRLINES GROUP INC.**

## Statement of Available Information

Each of American Airlines, Inc. ("*American*") and American Airlines Group Inc. ("*AAG*") is subject to the information requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information with the Commission. These filings are available to the public over the internet at the Commission's website at http://www.sec.gov. Reports, proxy statements and other information filed by American and AAG can be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. A prospective purchaser can call the Commission at 1-800-SEC-0330 for further information on the public reference rooms and copy charges.

## Incorporation of Certain Documents by Reference

This Official Statement incorporates by reference the documents listed below that American and/or AAG has previously filed with the Commission (excluding any information that has been "furnished" but not "filed" for purposes of the Exchange Act) and that are not delivered with this Official Statement.

| **Combined filings by AAG and American** | **Date filed** |
|---|---|
| Annual Report on Form 10-K for the year ended December 31, 2015 | February 24, 2016 |
| Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 | April 22, 2016 |
| Current Report on Form 8-K/A | January 4, 2016 |
| Current Report on Form 8-K | April 29, 2016 |
| Current Report on Form 8-K | May 2, 2016 |

| **Filings by American only** | **Date filed** |
|---|---|
| Current Report on Form 8-K | January 13, 2016 |
| Current Report on Form 8-K | January 21, 2016 |
| Current Report on Form 8-K | May 3, 2016 |
| Current Report on Form 8-K | May 17, 2016 |

| **Filings by AAG only** | **Date filed** |
|---|---|
| Current Report on Form 8-K/A | January 28, 2016 |
| Current Report on Form 8-K | March 9, 2016 |
| Definitive Proxy Statement on Schedule 14A | April 29, 2016 |

All documents filed by American and AAG pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information furnished in Current Reports on Form 8-K under Items 2.02 and 7.01, or related exhibits under Item 9.01, unless American or AAG, as applicable, specifically states in such Current Report on Form 8-K that such information is to be considered "filed" under the Exchange Act or specifically incorporates it by reference into a filing under the Securities Act of 1933, as amended) subsequent to the date hereof and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be part hereof from the date of filing of any such document. Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contained in this Official Statement shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Each of American and AAG will provide a copy of these filings (other than their exhibits, unless those exhibits are specifically incorporated by reference in the filings) at no cost by writing or telephoning at the following address:

Corporate Secretary
American Airlines Group Inc. and American Airlines, Inc.
4333 Amon Carter Blvd.
Fort Worth, Texas 76155
(817) 963-1234

Persons receiving this Official Statement should rely only on the information incorporated by reference or provided in this Official Statement or any applicable Official Statement Supplement. Neither American nor AAG has authorized anyone else to provide prospective purchasers with different information. If anyone provides different or inconsistent information, it should not be relied upon.

The postal address for American's and AAG's principal executive offices is 4333 Amon Carter Blvd., Fort Worth, Texas 76155 (telephone: 817-963-1234).

## APPENDIX B

## CERTAIN DEFINITIONS

"*2016 Note*" means the Series 2016 Note.

"*2016 Rebate Account*" means the special trust account of the Rebate Fund so designated and established pursuant to the Indenture and as described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*AAG*" has the meaning set forth herein under "Introductory Statement."

"*AAG Guaranty*" has the meaning set forth herein under "Introductory Statement."

"*Accounts*" or "*Subaccounts*" means those accounts or subaccounts established pursuant to the Indenture (including any Supplemental Indenture).

"*Act*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Indenture."

"*Additional Bonds*" has the meaning set forth herein under "Introductory Statement."

"*Additional Land Rental*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Rent—*Additional Land Rental*."

"*Additional Loan*" means a loan made in connection with the issuance of Additional Bonds.

"*Additional Note*" means a promissory note issued in connection with the making of an Additional Loan, which promissory note shall be in substantially the form of Exhibit B attached to the Loan Agreement, or such other form as may be agreed by Borrower and Issuer, and shall include any and all amendments and amendments and restatements thereof and supplements thereto made in conformity with the Loan Agreement (including the applicable Loan Agreement Amendment) and the Indenture (including the applicable Supplemental Indenture).

"*Affiliate*" means, with respect to a subject Person, another Person which is directly or indirectly controlled by the subject Person, or any Person which directly or indirectly controls the subject Person, or any Person that is under common control with the subject Person. 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.

"*Airport*" has the meaning set forth herein under "Introductory Statement."

"*Alternate Credit Facility*" means an irrevocable letter of credit, a municipal bond insurance policy, a standby bond purchase agreement, a surety bond, a line or lines of credit, guaranty or other similar agreement or agreements or any other agreement or agreements used to provide liquidity and/or credit support for a series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such series of Bonds and issued and delivered to the Trustee in replacement of a Credit Facility with respect to any series of Bonds in accordance with the Indenture (including any Supplemental Indenture).

"*American*" has the meaning set forth herein under "Introductory Statement."

"*American Guaranty*" has the meaning set forth herein under "Introductory Statement."

"*AMR*" has the meaning set forth herein under "American."

"*Approved Sublessee*" means, with respect to a sublease, license or use agreement, a Scheduled Aircraft Operator, or a consortium of such Scheduled Aircraft Operators, who shall each meet all of the requirements set forth in the Reletting Agreement.

"*Approved Successor Lessee*" means a Scheduled Aircraft Operator, or a consortium of Scheduled Aircraft Operators, who shall each meet all of the requirements set forth in Section 92 of the Port Authority Lease.

"*Assignment of Leasehold Mortgage*" has the meaning set forth herein under "Introductory Statement."

"*ATEIRA*" has the meaning set forth herein under "Introductory Statement."

"*Authorized Borrower Representative*" means the Borrower's President, Treasurer, any Executive Vice President, any Senior Vice President, any Vice President, any Managing Director or 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 by the Borrower.

"*Authorized Denomination"* means, with respect to Bonds in the Long-Term Interest Rate Period, $5,000 and any integral multiple thereof and, with respect to Bonds in any other Interest Rate Period, $100,000 and any increment of $5,000 in excess thereof.

"*Authorized Issuer Representative*" means the Chairperson, Chief Financial Officer, President, Vice President or Treasurer of the Issuer.

"*Bankruptcy Code*" has the meaning set forth herein under "American."

"*Bankruptcy Court*" has the meaning set forth herein under "American."

"*Bankruptcy Plan"* has the meaning set forth herein under "American."

"*Bankruptcy Rejection Date*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Foreclosure of Leasehold Mortgage*."

"*Basic Lease*" has the meaning set forth herein under "Introductory Statement."

"*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 Depository. If at any time the Bonds are not held in the Book-Entry System, Beneficial Owner shall mean "Owner" in accordance with the Indenture.

*"Bond Counsel"* means Winston & Strawn LLP and the Hardwick Law Firm, LLC, or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Issuer.

*"Bond Fund*" means the Bond Fund created under the Indenture and described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts"

"*Bond Interest Term Rate*" means, with respect to each series of Bonds, a term, non-variable interest rate on such series of Bonds established periodically in accordance with the Indenture.

"*Bond Purchase Fund*" means any Bond Purchase Fund created for a series of Bonds under a Supplemental Indenture, which Fund will be held by the applicable Tender Agent and be used with respect to the tender and remarketing of Bonds.

"*Bond Registrar*" means the Trustee, acting as registrar for the Bonds as provided in the Indenture.

"*Bondholder*," "*Holder of the Bonds*," "*Holder*," "*holder*" or "*Owner*" means the registered owner of any Bond. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" herein mean Cede & Co., and not the Beneficial Owners of the Series 2016 Bonds.

"*Bonds*" has the meaning set forth herein under "Introductory Statement."

"*Bonds Default*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Foreclosure of Leasehold Mortgage*."

"*Bonds Default Foreclosure Election Notice*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Election to Exercise Foreclosure Rights*."

"*Book-Entry Bond*" means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for one or more participants in such Depository.

"*Book-Entry-Only System*" has the meaning set forth herein under "The Series 2016 Bonds—Book-Entry-Only System."

"*Borrower*" means American.

"*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 are 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; *provided* that, with respect to Bonds secured by a Credit Facility, such term also means any day which is not a day on which banking institutions chartered in any state in which the principal office of any Credit Facility Provider for such Bonds is located is legally authorized to close. No Credit Facility is being provided with respect to the Series 2016 Bonds.

"*Change in Control*" means the happening of any of the following:

(i) When any "person" as defined in the Exchange Act (defined as the Securities Act of 1934), including a "group" as defined in Section 13(d) of the Exchange Act, but excluding AAG and any AAG Subsidiary (defined as any corporation in an unbroken chain of corporations beginning with AAG if each of the corporations (other than the last corporation in the broken chain) owns 50% or more of the total outstanding Voting Securities (defined as any stock, bond or other obligation granting the holder any voting rights in one of the other corporations in the chain) and any employee benefit plan sponsored or maintained by AAG or any AAG Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time) of 20% or more of the outstanding Voting Securities of AAG; or

(ii) When any "person" as defined in Section 3(a)(9) of the Exchange Act and as used in Section 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding AAG and any AAG Subsidiary and any employee benefit plan sponsored or maintained by AAG or any AAG Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13(d)3 under the Exchange Act, as amended from time to time) of 20% or more of the outstanding Voting Securities of American; or

(iii) When during any period of 24 consecutive months, the AAG Incumbent Directors (defined as the individuals constituting AAG's Board of Directors at the beginning of any period of 24 consecutive months) cease for any reason other than death to constitute at least a majority thereof, *provided, however*, that a director who was not a director of AAG at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an AAG Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the

directors who then qualified as AAG Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this subparagraph (iii); or

(iv) When during any period of 24 consecutive months in which American is a publicly traded company, American's Incumbent Directors cease for any reason other than death to constitute at least a majority thereof, *provided, however*, that a director who was not a director of American at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an American's Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the directors who then qualified as American Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this subparagraph (iv); or

(v) The occurrence of a transaction requiring stockholder approval for the acquisition of AAG or American by an entity other than AAG, American or an AAG Subsidiary through purchase of assets, or by merger, or otherwise.

"*Chapter 11 Cases*" has the meaning set forth herein under "American."

"*City*" has the meaning set forth herein under "Introductory Statement."

"*Civil Aircraft Operator*" (as used herein in the definition of Scheduled Aircraft Operator) means a Person engaged in civil transportation by aircraft or otherwise operating aircraft for civilian purposes, whether governmental or private. If any such Person is also engaged in the operation of aircraft for military, naval or air force purposes, he or she will be deemed to be a Civil Aircraft Operator only to the extent that he or she engages in the operation of aircraft for civilian purposes.

"*Closing Date*" means the Offering Date.

"*Co-Bond Counsel*" has the meaning set forth herein under "Introductory Statement."

"*Code*" has the meaning set forth herein under "Tax Matters."

"*Commission"* has the meaning set forth herein under "American."

"*Company*" has the meaning set forth herein under "Risk Factors."

"*Company Bankruptcy*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Company Bankruptcy*."

"*Consent Agreement*" mean the Port Authority Consent.

*"Consent Security Deposit"* has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Assignment and Sublease."

"*Controlled Entity*" means any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Issuer) or by another Controlled Entity of any such obligor.

"*Co-Trustee*" means a co-trustee under the Indenture appointed pursuant to the terms of the Indenture.

"*Credit Facility*" means (i) an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such series of Bonds and issued and delivered to the Trustee in accordance with the Indenture (including any Supplemental

Indenture) and (ii) any Alternate Credit Facility. No Credit Facility is being provided with respect to the Series 2016 Bonds.

"*Credit Facility Agreement*" means any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Borrower.

"*Credit Facility Provider*" means the issuer of any Credit Facility and any successors thereto. There is no Credit Facility and no Credit Facility Provider with respect to the Series 2016 Bonds.

"*Daily Interest Rate*" means, with respect to each series of Bonds, a variable interest rate on such series of Bonds established in accordance with the Indenture.

"*Debtors*" has the meaning set forth herein under "American."

"*Defeasance Obligations*" means 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.

"*Depository*" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Indenture to serve as securities depository for the Bonds of such series.

"*Determination of Taxability*" has the meaning set forth herein under "The Series 2016 Bonds—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability*."

"*Direct Participants*" has the meaning set forth herein under "The Series 2016 Bonds—Book-Entry-Only System."

"*DTC"* has the meaning set forth herein under "Introductory Statement."

"*DTCC*" has the meaning set forth herein under "The Series 2016 Bonds—Book-Entry-Only System."

"*Electronic Means*" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, and such other methods and systems approved by the applicable parties from time to time, and also includes a telephonic communication confirmed by any other Electronic Means.

"*Eligible Investments*" means the permitted investments set forth in the Indenture.

"*Eminent Domain*" means the taking of title to, or the temporary use of, the Facility 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 Facility or any part thereof during the pendency of, or as a result of a threat of, such proceedings.

"*EMMA*" has the meaning set forth herein under "The Undertaking—Annual Financial Information Disclosure."

"*Environmental Requirements*" means all common law and all past, present and future laws, statutes, enactments, resolutions, regulations, rules, directives, ordinances, codes, licenses, permits, orders, memoranda of understanding and memoranda of agreement, guidances, approvals, plans, authorizations, concessions, franchises, requirements and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, all pollution prevention programs, "best management practices plans", and other programs adopted and agreements made by the Port Authority (whether adopted or made with or without consideration or with or without compulsion), with any government

agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof, and all judicial, administrative, voluntary and regulatory decrees, judgments, orders and agreements relating to the protection of human health or the environment, the foregoing to include without limitation:

(i) all requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, or the transfer of property on which Hazardous Substances exist;

(ii) all requirements pertaining to the protection from Hazardous Substances of the health and safety of employees or the public; and

(iii) the Atomic Energy Act of 1954 , 42 U.S.C. Section 2011 *et seq*.; the Clean Water Act also known as the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 *et seq*.; the Clean Air Act, 42 U.S.C. Section 7401 *et seq*.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 136 *et seq*.; the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 *et seq*.; the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Section 2701 *et seq*.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. Section 11001 *et seq*.; the Occupational Safety and Health Act, 29 U.S.C. Section 651 *et seq*.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 *et seq*.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq*.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 *et seq*.; the Safe Drinking Water Act of 1974, 42 U.S.C. Sections 300f-300h-11 *et seq*.; the Oil Pollution Act, 33 U.S.C. Section 2701 *et seq*.; the National Environmental Policy Act, 42 USC Section 4321 *et seq*.; the State Environmental Quality Review Act (SEQRA), NY ECL Section 8-0101 *et seq*.; the New York State Environmental Conservation Law; the New York State Navigation Law; together, in each case, with any amendment thereto, and the regulations adopted, guidances, memoranda and publications promulgated thereunder and all substitutions thereof and any other analogous current or future federal, state municipal, city or local laws; and in the event that there shall be more than one compliance standard, the standard for any of the foregoing shall be that which requires the lowest level of a Hazardous Substance, *provided, however*, that with respect to removal from the soil and groundwater in a certain portion of the Premises of those chemicals set forth in Exhibit 2B.3 of the Port Authority Lease, the compliance standard shall be as set forth therein for so long as the New York State Department of Environmental Conservation shall continue its approval and acceptance of such standards set forth in such Exhibit 2B.3 and all requirements of the DEC (as defined in the Port Authority Lease) pursuant to the ACO (as defined in the Port Authority Lease).

"*ESD*" has the meaning set forth herein under "Introductory Statement."

"*Event of Default*" with respect to any default under the Loan Agreement, has the meaning set forth herein under Appendix D—"Summary of Certain Provisions of the Loan Agreement—Events of Default; Remedies—*Events of Default*" and, with respect to any default under the Indenture, has the meaning set forth herein under Appendix C—"Summary of Certain Provisions of the Indenture—Events of Default."

"*Exchange Act"* has the meaning set forth herein under "American."

"*Excluded Obligations*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Requirements of the Reletting Agreement*."

"*Expanded Terminal Work*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Expanded Terminal Work."

"*Expanded Terminal Work Completion Date*" means the date appearing on the certificate issued by the Port Authority pursuant to the Port Authority Lease after substantial completion of the Expanded Terminal Work.

"*FAA"* has the meaning set forth herein under "American."

"*Facility*" has the meaning set forth herein under "Introductory Statement."

"*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, addressed, as applicable, to the Issuer, the Credit Facility Provider, if any, the Remarketing Agent, if any, American and the Trustee 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). No Credit Facility is being provided with respect to the Series 2016 Bonds.

"*Financed Equipment*" has the meaning set forth in the Fourth Supplemental Agreement to the Port Authority Lease, and generally refers to certain equipment located at the Premises that was financed with the proceeds of the Prior Bonds.

"*Financial Tests*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Assignment and Sublease."

"*Financing Documents*" means the Loan Agreement, the Indenture, resolutions adopted by the Issuer authorizing the issuance of the Series 2016 Bonds, any resolutions adopted by the Issuer in connection with the issuance and sale of Additional Bonds, the Leasehold Mortgage, and the Guaranties; and *provided further*, the term "*Financing Document*" does not mean the Basic Lease, the Port Authority Lease or the Port Authority Consent.

"*Financing Transaction*" means the issuance of the Bonds to provide a portion of the funds to redeem in full the Prior Bonds and all the transactions documented by the Financing Documents that support and facilitate such issuance.

"*Fitch*" has the meaning set forth herein under "Ratings."

"*Foreclosure Election Expiration Date*" has the meaning set forth herein in Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Election to Exercise Foreclosure Rights*."

"*Foreclosure Election Notice*" means the written notice required to be given by the Leasehold Mortgagee to the Port Authority pursuant to the Port Authority Lease affirmatively stating the Leasehold Mortgagee's election to (i) exercise its Foreclosure Rights thereunder and (ii) to exercise its rights under the Leasehold Mortgage to foreclose upon the Leasehold Mortgage or to have the Port Authority Lease with respect to the Premises assigned to an Approved Successor Lessee in accordance with the provisions of the Port Authority Lease.

"*Foreclosure Election Notice Service Date*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Foreclosure Period*."

"*Foreclosure Election Period*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Election to Exercise Foreclosure Rights*."

"*Foreclosure Notice*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure—Notice*."

"*Foreclosure Payment Account*" means any special trust account of the Mortgage Reserve Fund so designated and established pursuant to the Indenture and as described herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure—Foreclosure Period Payments*," and Appendix C—"Summary of Certain Provisions of the Indenture—Mortgage Reserve Fund."

"*Foreclosure Payment Account Requirement*" means $21.5 million.

"*Foreclosure Period*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure—Foreclosure Proceedings and Removal of American.*"

"*Foreclosure Rights*" mean the rights of the Trustee as Leasehold Mortgagee with respect to the Facility set forth in Section 92.

"*Fourth Supplemental Agreement to the Port Authority Lease*" means the Fourth Supplemental Agreement to the Port Authority Lease, by and between the Port Authority and American.

"*Funds*" means those Funds established pursuant to the Indenture and described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts" and any Funds established pursuant to any Supplemental Indenture.

"*Gate*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Reletting Rights—Gates*."

"*Gate Sublease*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Reletting Rights—Gates."*

"*General Airport Agreement*" means that certain agreement and lease of premises entitles "John F. Kennedy International Airport Airline Lease," dated as of January 1, 1953 (as the same may have been supplemented, amended and extended) and bearing Port Authority file number designation AY-351.

"*Government Obligations*" means the applicable obligations described in the Indenture and obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

"*Guaranties*" has the meaning set forth herein under "Introductory Statement."

"*Guarantor*" means each of American and AAG and their respective successors and assigns under the Guaranties.

"*Guaranty"* means each of the American Guaranty and the AAG Guaranty.

"*Hazardous Substance*" means and includes any pollutant, contaminant, toxic or hazardous waste, dangerous substance, noxious substance, toxic substance, flammable, explosive or radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls, radon, chemicals known to cause cancer, endocrine disruption or reproductive toxicity, petroleum and petroleum products, fractions, derivatives and constituents thereof, of any kind and in any form, including without limitation oil, petroleum, fuel, fuel oil, sludge, crude oil, gasoline, kerosene, and mixtures of, or waste materials containing any of the foregoing, and other gases, chemicals, materials and substances which have been or in the future shall be declared to be hazardous or toxic, or the removal, containment or restriction of which have been or in the future shall be required, or the manufacture, preparation, production, generation, use, maintenance, treatment, storage, transfer, handling or ownership of which have or in the future shall be restricted, prohibited, regulated or penalized by any federal, state, county, or municipal or other local statute or law now or at any time hereafter in effect as amended or supplemented and by the regulations adopted and publications promulgated pursuant thereto.

"*Indenture*" has the meaning set forth herein under "Introductory Statement."

"*Indirect Participants*" has the meaning set forth herein under "The Series 2016 Bonds—Book-Entry-Only System."

"*Initial Long-Term Interest Rate Period*" has the meaning set forth herein under "Introductory Statement."

"*Interest Account*" means any special trust account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*Interest Payment Date*" has the meaning set forth herein under "The Series 2016 Bonds—General."

"*Interest Rate Period*" means, with respect to a Series of Bonds, each of the respective periods during which such Series of Bonds shall bear interest at a Daily Interest Rate, Weekly Interest Rate, Long-Term Interest Rate or Bond Interest Term Rate.

"*Investment Grade*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Assignment and Sublease."

"*Issuer*" has the meaning set forth herein under "Introductory Statement."

"*Issuer's Reserved Rights*" means the rights, title and interests of the Issuer in the Loan Agreement that are reserved to the Issuer and not assigned to the Trustee, including but not limited to the Issuer's rights to receive notices, reports and other statements, to grant consents, to receive reimbursement and payment of certain costs and expenses, certain rights of access to the Facility, and certain rights to indemnification and non-liability.

"*JDA*" has the meaning set forth herein under "Introductory Statement."

"*JFK AirTrain*" has the meaning set forth herein under "The Airport."

"*JFK Flight Fees Agreement*" means that certain John F. Kennedy International Airport Flight Fees Agreement dated as of January 1, 2004.

"*Lease Assignment/Assumption and Consent Agreement*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—Successor Lessee."

"*Lease Assignment/Assumption Commencement Date*" means the date of the Fourth Supplemental Agreement to the Port Authority Lease.

"*Lease Default*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Foreclosure of Leasehold Mortgage*."

"*Leasehold Mortgage*" has the meaning set forth herein under "Introductory Statement."

"*Leasehold Mortgage Default*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Foreclosure of Leasehold Mortgage*."

"*Leasehold Mortgagee*" has the meaning set forth herein under "Introductory Statement."

"*Leasehold Mortgagee's Commencement Payment Obligations*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Termination of Port Authority Lease as a Result of Foreclosure*" and also means all amounts that would have been due and owing to the Port Authority under the Port Authority Lease which would have accrued for any and all periods up to the Reletting Election Notice Service Date, to the extent such amounts have not been paid to the Port Authority by American or the Leasehold Mortgagee prior to the date of the Reletting Election Notice.

"*Leasehold Mortgagee's Foreclosure Period Commencement Payments*" has the meaning set forth herein under "Security tor the Bonds—The Leasehold Mortgage and, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure Rights—Foreclosure Period Payments*."

"*Leasehold Mortgagee's Foreclosure Period Current Basis Payments*" has the meaning set forth herein under Security tor the Bonds—The Leasehold Mortgage and, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure Rights—Foreclosure Period Payments.*

"*Leasehold Mortgagee's Foreclosure Period Obligations*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Foreclosure Obligations*."

"*Leasehold Mortgagee's Obligations*" means the Leasehold Mortgagee's Payment Obligations and the Leasehold Mortgagee's Performance Obligations.

"*Leasehold Mortgagee's Payment Obligations*" has the meaning set forth herein under "Security tor the Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Requirements of the Reletting Agreement*" and also means all amounts that would have been due and owing by American to the Port Authority on an ongoing basis under the Port Authority Lease had it not been terminated, as the same become due and payable.

"*Leasehold Mortgagee's Performance Obligations*" has the meaning set forth herein under "Security tor the Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Requirements of the Reletting Agreement.*"

"*Legal Requirements*" means 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*" has the meaning set forth herein under "Introductory Statement."

"*Loan Agreement Amendment*" means an amendment, amendment and restatement, supplement or other modification to the Loan Agreement, executed and delivered by Borrower and Issuer in connection with the making of an Additional Loan.

"*Long-Term Interest Rate*" means, with respect to each series of Bonds, a term, non-variable interest rate on such series of Bonds established in accordance with the Indenture.

"*Long-Term Interest Rate Period*" means each period during which a Long-Term Interest Rate is in effect.

"*Major Release*" has the meaning set forth herein under Appendix H—"Summary of Certain Provisions of the Leasehold Mortgage—Summary of Certain Provisions of the Leasehold Mortgage—*Release of Part of Mortgaged Property*."

"*Maturity Dates*" means the dates on which the Bonds mature, as determined pursuant to the Indenture.

"*Merger Sub*" has the meaning set forth herein under "American."

"*Minor Release*" has the meaning set forth herein under Appendix H—"Summary of Certain Provisions of the Leasehold Mortgage—Summary of Certain Provisions of the Leasehold Mortgage—*Release of Part of Mortgaged Property*."

"*Moody's*" means Moody's Investors Service, a Delaware corporation, 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 American.

"*Mortgage Reserve Fund*" means the Mortgage Reserve Fund created under the Indenture and described herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Conditions Precedent to Foreclosure—Foreclosure Period Payments*," and Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*MSRB*" has the meaning set forth herein under "Continuing Disclosure."

"*Net Condemnation Proceeds*" means, as determined by the President, Treasurer, any Executive Vice President, any Senior Vice President, any Vice President or any Managing Director of American pursuant to the terms of the Port Authority Lease, the net proceeds, if any, payable to American from 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, and remaining after American has performed its obligations under the Port Authority Lease with respect to such condemnation.

"*Notes*" means, collectively, the Series 2016 Note and the Additional Notes, and shall include any and all amendments and amendments and restatements thereof and supplements thereto made in conformity with the Loan Agreement (including any applicable Loan Agreement Amendment) and the Indenture (including any applicable Supplemental Indenture).

"*Notice of Termination*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Election to Exercise Foreclosure Rights*."

"*Notice of Termination Service Date*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Election to Exercise Foreclosure Rights*."

"*Offering Date"* has the meaning set forth herein under "Introductory Statement."

"*Opinion of Bond Counsel*" or "*Opinion of Counsel*" means a written opinion of Bond 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 certain obligations specified as permissible pursuant to 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 the provisions of the Indenture governing payment in certain circumstances of lost, stolen, destroyed or mutilated Bonds, or Bonds in lieu of which other Bonds have been authenticated in accordance with the terms of the Indenture.

"*PA Lease*" means the Port Authority Lease.

"*Parcel M*" means that portion of the Premises designated as "Parcel M" on Exhibit 95.1 attached to the Port Authority Lease.

"*Parcel M Surrender Date*" means that date, as noted in the termination notice of the Port Authority, that American surrenders to the Port Authority its leasehold interest in Parcel M.

"*Parent*" means AAG.

"*Parent Guaranty*" means the AAG Guaranty.

"*Participants*" has the meaning set forth herein under "The Series 2016 Bonds—Book-Entry-Only System."

"*Paying Agent*" means the Trustee or any other bank or trust company designated by the Issuer as Paying Agent pursuant to the Indenture.

"*Permitted Encumbrances*" means, as of any particular time,

(i) the ATEIRA, the Reletting Agreement (if executed), the Basic Lease, the Port Authority Lease, the Leasehold Mortgage, the Indenture, as supplemented and amended, any other Security Documents;

(ii) liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, completion bonds, government contracts or other obligations of a like nature, including liens in connection with workers' compensation, unemployment insurance and other types of statutory obligations or to secure the performance of tenders, bids, leases, contracts and other similar obligations incurred in the ordinary course of business;

(iii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default or that are being contested in good faith by appropriate proceedings in accordance with the provisions of the Loan Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions provided for in the Port Authority Lease or that an Authorized Representative of American certifies to the Issuer and the Trustee will not materially interfere with or impair American's use of the Facility as provided in the Port Authority Lease and the Loan Agreement;

(v) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as provided for in the Port Authority Lease or as normally exist with respect to property similar in character to the Facility and as do not, in the opinion of counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was used by American under the Port Authority Lease and the Loan Agreement;

(vi) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable (or which, if past due, are being contested in good faith by appropriate proceedings), all if and to the extent permitted by the Loan Agreement;

(vii) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(viii) any lien, security interest or other encumbrance created by the City or the Port Authority or any other lessee or licensee of the City or the Port Authority at the Airport, or any other user of the

Airport, or resulting from the acts or failure to act of the City, the Port Authority, such lessees or licensees or any such other users, in each case other than American, AAG and their respective Affiliates;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Issuer, or the Trustee in the Loan Agreement or in amounts payable thereunder;

(x) subleases of the Facility permitted under the Loan Agreement;

(xi) all matters of record identified on the title report or equivalent delivered by American to the Issuer pursuant to the Loan Agreement; and

(xii) any mortgage, lien, security interest or other encumbrance related to the security granted by American in connection with the Prior Bonds, provided that such mortgages, liens, security interests and other encumbrances shall be terminated upon or as a result of the issuance of the Series 2016 Bonds.

"*Person*" means an individual, association, unincorporated organization, corporation, partnership, limited liability company, joint venture, business trust or a government or Issuer or a political subdivision thereof or other entity or organization.

"*Pledged Funds*" means, collectively, the Bond Fund (including the accounts and subaccounts therein), the Mortgage Reserve Fund 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.

"*Port Authority*" has the meaning set forth herein under "Introductory Statement."

"*Port Authority Consent*" has the meaning set forth herein under "Introductory Statement."

"*Port Authority Lease*" has the meaning set forth herein under "Introductory Statement" and further means the Agreement of Lease entered into as of August 1, 1976 bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and American, as the same may now or hereafter be amended, modified or supplemented from time to time.

"*Premises*" has the meaning set forth herein under "Introductory Statement."

*Principal Account*" means any special trust account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*Principal Office*" means, with respect to the Trustee, the address of such Person identified in the Indenture.

"*Principal Payment Date*" means any date upon which the principal amount of Bonds is due hereunder, including the date for any Sinking Fund Requirement, the Maturity Dates, any Redemption Date, any Purchase Date or the date the maturity of any Bond is accelerated pursuant to the terms of the Indenture or otherwise.

"*Prior Bonds*" has the meaning set forth herein under "Introductory Statement."

"*Prior Series 2002B Bonds*" has the meaning set forth herein under "Introductory Statement."

"*Prior Series 2005 Bonds*" has the meaning set forth herein under "Introductory Statement."

"*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 (other than, with respect to the Borrower or Parent, the felony conviction of AMR Corporation arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH), or (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. Notwithstanding anything to the contrary provided herein, a Person shall not be deemed to be in material default or in material breach of its obligations under any written agreement during such time that such Person is, in good faith, contesting or disputing its obligations under such agreement.

"*Project*" means the defeasance and redemption of the Prior Bonds and the paying of costs of issuance relating to the Series 2016 Bonds, as such description may be amended or revised from time to time.

"*Project Fund*" means the Project Fund so designated and established pursuant to the Indenture and as described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*Proposed Successor Lessee*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Successor Lessee*."

"*Purchase Price*" means 100% of the principal amount of the Bonds to be purchased.

"*Rating Agency*" with respect to the Port Authority Lease, has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Assignment and Sublease" or, with respect to the Indenture, means each of Fitch, Moody's or S&P, if then providing a rating on a Series of Bonds.

"*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 and described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*Record Date*" has the meaning set forth herein under "The Series 2016 Bonds—General."

"*Redemption Account*" means any special trust account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under Appendix C—"Summary of Certain Provisions of the Indenture—Creation of Funds and Accounts."

"*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 Price*" means an amount equal to the principal of and redemption premium, if any, to be paid on the Redemption Date plus interest accrued and unpaid to but not including the Redemption Date.

"*Redevelopment Project*" has the meaning set forth herein under "The Redevelopment Project."

"*Redevelopment Work*" means the design and construction of the "Passenger Terminal Work" (as described and defined in Section 2B(a) of the Port Authority Lease) and the "Off-Premises Work" (as described and defined in Section 2B(a) of the Port Authority Lease).

"*Rejection*" means a rejection of the Port Authority Lease by American in a bankruptcy proceeding with respect to American.

"*Related Person*" has the meaning set forth herein under Appendix F—"Summary of Certain provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Successor Lessee*."

"*Release Price*" means at any time of the calculation thereof the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Facility prior to the release of such Released Property.

"*Released Gate*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA—*Loss of Reletting Rights."*

"*Released Property*" means the portions of the Facility which American and the Port Authority have released from the Facility.

"*Reletting Agreement*" has the meaning set forth herein under "Introductory Statement."

"*Reletting Election Commencement Date*" means, as applicable, the Bankruptcy Rejection Date, or the Triggering Event Termination Date.

"*Reletting Election Notice*" means a written notice given by the Leasehold Mortgagee to the Port Authority in accordance with the provisions of the ATEIRA, stating the Leasehold Mortgagee's affirmative election to exercise the Reletting Rights by requiring the Port Authority to execute the Reletting Agreement.

"*Reletting Election Notice Service Date*" means the date that the Reletting Election Notice is given by the Leasehold Mortgagee to the Port Authority in accordance with the provisions of the ATEIRA.

"*Reletting Election Period*" has the meaning set forth herein under "Security for the Series 2016 Bonds—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Termination of Port Authority Lease as a Result of Rejection in Bankruptcy."*

"*Reletting Rights*" means the rights of the Leasehold Mortgagee granted pursuant to the Reletting Agreement described in Appendix I—"Summary of Certain Provisions of the Agreement to Enter Into Reletting Agreement and the Reletting Agreement—Summary of Certain Provisions of the Reletting Agreement—*Reletting Rights-Gates*" and "—*Reletting Rights-Concessions and Other Space*."

"*Remarketing Agent*" means, with respect to the Series 2016 Bonds, Citigroup Global Markets Inc. and, with respect to any other Bonds, any Remarketing Agent appointed with respect to such Bonds, and any successor to any of the foregoing in accordance with the Indenture.

"*Reserve Fund Facility*" means a surety bond, insurance policy, letter of credit or investment agreement that constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to the Indenture.

"*Rule*" has the meaning set forth herein under "Continuing Disclosure."

"*S&P*" has the meaning set forth herein under "Ratings."

"*Scheduled Aircraft Operator*" means a Civil Aircraft Operator engaged in transportation by aircraft operated wholly or in part on regular flights to and from the Airport in accordance with published schedules; but so long as the Federal Aviation Act of 1958, or any similar federal statute providing for the issuance of Foreign Air Carrier Permits or Certificates of Public Convenience and Necessity or substantially similar permits or certificates, is in effect, no Person will be deemed to be a Scheduled Aircraft Operator unless it also holds such a permit or certificate.

"*Section 45 Gate Termination Date*" means that date, as noted in the termination notice of the Port Authority, that there is a termination of American's leasehold interest under the Port Authority Lease with respect to a particular gate or gates in certain circumstances pursuant to the Port Authority Lease.

"*Section 46 Gate Termination Date*" means that date, as noted in the termination notice of the Port Authority, that there is a termination of American's leasehold interest under the Port Authority Lease with respect to a particular gate or gates in certain circumstances pursuant to the Port Authority Lease.

"*Section 92*" means Section 92 of the Port Authority Lease, entitled "Leasehold Mortgage - Foreclosure Rights," which section authorizes the Leasehold Mortgage and provides for the Foreclosure Rights of the Trustee, as Leasehold Mortgagee, thereunder.

"*Securities Depository*" means Depository.

"*Security Documents*" means, collectively, all Bonds, the Loan Agreement, the Series 2016 Note, the Guaranty, the Indenture, the Undertaking, the Leasehold Mortgage and the Assignment of Leasehold Mortgage, each applicable Tax Certificate, each applicable Credit Facility, if any, each applicable Reserve Fund Facility, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for any series of Bonds, and with respect to the provisions of the Indenture setting forth requirements for amending Security Documents, the ATEIRA and the Reletting Agreement (if executed); provided that in no event shall the PA Lease or the Consent Agreement be or be deemed to be Security Documents.

"*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; provided that, where the context requires with respect to the Interest Rate Period applicable to a Series of Bonds and related matters, a subseries designated or deemed designated pursuant to the Indenture shall constitute a Series.

"*Series 2016 Bonds*" has the meaning set forth herein under "Introductory Statement."

"*Series 2016 Note*" has the meaning set forth herein under "Introductory Statement."

"*Sinking Fund Requirement*" means the principal amount of Bonds subject to mandatory redemption in accordance with the Indenture.

"*Sinking Fund Requirement Account*" means the Series 2016 Sinking Fund Requirement Account in the Bond Fund created pursuant to the Indenture and each additional account created as a "Sinking Fund Requirement Account" pursuant to the Indenture (including any Supplemental Indenture), including in connection with the issuance of Additional Bonds.

"*Specified Amount*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Termination by Port Authority."

"*State*" has the meaning set forth herein under "Introductory Statement."

"*Supplemental Indenture*" means any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with the Indenture, and shall include any supplemental indenture so executed and delivered in connection with the issuance of any Additional Bonds.

"*Tangible Net Worth*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Assignment and Sublease."

"*Tax Certificate*" has the meaning set forth herein under "Tax Matters."

"*Tax-Exempt Bonds* (*or series of Tax-Exempt Bonds*)" means the Series 2016 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.

"*Tender Agent*" means, with respect to a series of Bonds, the initial and any successor tender agent appointed by American with the consent of the Issuer (such consent not to be unreasonably withheld).

"*Terminal*" has the meaning set forth herein under "The Redevelopment Project."

"*Terminal 4 Covenant*" has the meaning set forth herein under "Risk Factors—Bond Structure Risks—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the ATEIRA and the Reletting Agreement—*The Terminal 4 Covenant May Significantly Impair the Exercise of the Reletting Rights.*"

"*Terminal Rental*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Rent."

"*Terminal Rental Commencement Date*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Rent."

"*Triggering Event Termination Date*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights."

"*Triggering Events*" has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Termination by Port Authority."

"*Trust Estate*" means the property pledged, assigned or mortgaged to the Trustee pursuant to the Indenture.

"*Trustee*" has the meaning set forth herein under "Introductory Statement."

"*Unamortized Bond Obligation*" means the Outstanding principal amount of the Bonds from time to time.

*"Undertaking"* has the meaning set forth herein under "Continuing Disclosure."

"*Underwriter*" has the meaning set forth herein under "Underwriting."

"*Unfavorable Experience*" with respect to an "unfavorable experience" under the Port Authority Lease, has the meaning set forth herein under Appendix F—"Summary of Certain Provisions of the Port Authority Lease—Leasehold Mortgage and Foreclosure Rights—*Successor Lessee*" and, with respect to an "unfavorable experience" under the ATEIRA, has the meaning set forth herein under Appendix I—"Summary of Certain Provisions of the Agreement to Enter Into Reletting Agreement And The Reletting Agreement—Summary of Certain Provisions of the Reletting Agreement—*Applicant.*"

"*US Airways"* has the meaning set forth herein under "American."

"*US Airways Group"* has the meaning set forth herein under "American."

"*Weekly Interest Rate*" means, with respect to each series of Bonds, a variable interest rate on such series of Bonds established in accordance with the Indenture.

## APPENDIX C

## 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.

Except as may otherwise be expressly provided in the Indenture, each Series of Bonds shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal, Purchase Price, Redemption Price and Sinking Fund Requirements, if any, thereof and the interest thereon. Each Series of Bonds issued under the Indenture shall be secured by the ATEIRA, the Reletting Agreement (if executed) and the Guaranty and the obligation of the Guarantor under the Guaranty will be secured by the Leasehold Mortgage. Each Series of Bonds issued under the Indenture shall be special obligations of the Issuer, secured and payable (except to the extent payable out of proceeds from the sale of such Series of Bonds or the income from the temporary investments thereof) by the Issuer solely out of the payments or other receipts, funds or moneys pledged therefor pursuant to the Indenture and from any amounts otherwise available under the Indenture for the payment of such Bonds, from amounts payable under the Guaranty and from amounts payable to the Leasehold Mortgagee under the Leasehold Mortgage and the Reletting Agreement (if executed). The Bonds shall be additionally secured by a pledge and assignment of the Issuer's right, title and interest in and to the Loan Agreement (excluding the Issuer's Reserved Rights), shall not be secured by any other lien on or security interest or other possessory interest in the Facility or by any leasehold interest of the Port Authority or the Issuer or any fee or leasehold interest of the City in the Facility. In the event the Borrower shall fail to make any payment under the Loan Agreement or shall otherwise default under the Loan Agreement, and, as a result thereof, the principal of the Bonds is declared or becomes due and payable, none of the Issuer, the Trustee (except as Leasehold Mortgagee under the Leasehold Mortgage, the ATEIRA and the Reletting Agreement), or any Holder of any of the Bonds or any Credit Facility Provider shall have any rights or remedies with respect to the Facility or leasehold interest of the Port Authority or the Borrower or any fee or leasehold interest of the City but shall only have the rights under the Loan Agreement including the right to enforce against the Borrower the obligation of the Borrower to make loan payments sufficient to enable the Issuer to pay the principal, Purchase Price, Redemption Price and Sinking Fund Requirements, if any, of and interest on the Bonds and the right in the Indenture to realize upon any of the Funds. Except as set forth in Section 92, the Leasehold Mortgage, the ATEIRA and the Reletting Agreement, the Port Authority shall not have any obligation whatsoever with respect to the Bonds. 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, Purchase Price, Redemption Price and Sinking Fund Requirements, if any, of and interest on the Bonds or for any claim based thereon or under the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds. (*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 2.07(a)*)

**Additional Bonds**

In addition to the Series 2016 Bonds, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any or all of the following purposes: (i) providing for the financing or refinancing of the acquisition, construction or installation of additional improvements for incorporation into the Facility or any portion thereof, including the Expanded Terminal Work, (ii) providing funds in excess of the net proceeds of insurance and condemnation awards necessary to repair, relocate, replace, rebuild or restore the Facility or any portion thereof in the event of damage, destruction or taking by Eminent Domain and (iii) to refund Outstanding Bonds pursuant to the Indenture. The aggregate amount of Bonds Outstanding under the Indenture may not exceed $2,300,000,000.

If one or more Series of Additional Bonds are authenticated and delivered to refund ("*Refunding Bonds*") any Outstanding Bonds in whole or in part, the 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 as required by the provisions of the Indenture and of the resolution authorizing such Refunding Bonds.

Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the 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 Additional Bonds shall be issued unless the PA Lease, the Leasehold Mortgage, the Guaranty, the ATEIRA, the Reletting Agreement (if executed) and each required Credit Facility Agreement 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.

Any Series of Additional Bonds shall be dated, shall have the maturities and the Interest Rate Period as set forth in the applicable Supplemental Indenture executed in connection therewith. (*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 and, with respect to the Series 2016 Bonds, the following Accounts within such Funds:

(i) Project Fund

(A) Series 2016 Project Account

(ii) Bond Fund

(A) Series 2016 Principal Account

(B) Series 2016 Interest Account

(C) Series 2016 Redemption Account

(D) Series 2016 Sinking Fund Requirement Account

(E) Series 2016 Credit Facility Account

(iii) Rebate Fund

(A) Series 2016 Rebate Account

(iv) Purchase Fund

(A) Series 2016 Purchase Account

(v) Mortgage Reserve Fund

(A) Foreclosure Payment Account

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 Notes for the payment of principal, Redemption Price or Purchase Price, if any, of 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 each applicable 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 an Interest Account to the extent that the amount on deposit in such Interest Account shall be sufficient to pay interest on all Bonds of the applicable 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 each applicable 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 a Sinking Fund Requirement Account to the extent that the amount on deposit in such Sinking Fund Requirement Account shall be sufficient to pay the Sinking

Fund Requirements on all Bonds of the applicable Series of Bonds on such Redemption Date;

THIRD - on each Principal Payment Date, an amount to be deposited into each applicable 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 a Principal Account to the extent that the amount on deposit in such Principal Account shall be sufficient to pay principal on all Bonds of the applicable Series of Bonds on such Principal Payment Date; and

FOURTH - on each other Redemption Date or purchase date, an amount to be deposited into each applicable 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 or Purchase Price on all Series of Bonds to be purchased on such Redemption Date plus interest accrued but unpaid to the date of purchase; *provided*, however, that no such amount shall be required to be deposited into a Redemption Account to the extent that the amount on deposit in such Redemption Account shall be sufficient to pay the Redemption Price or Purchase Price, as applicable, on all Bonds of the applicable Series Bonds on such Redemption Date or purchase 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*)

**Payments into Bond Fund**

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Amounts paid from the Port Authority to the Trustee relating to certain gate terminations and foreclosure actions under the PA Lease or relating to the Port Authority's termination of the Reletting Agreement (if executed), which shall be deposited pro rata into each applicable Redemption Account of the Bond Fund and applied by the Trustee pro rata to the redemption of Bonds at a price not to exceed the Redemption Price thereof applicable on the earliest date upon which such Bonds are next subject to redemption.

(b) Loan prepayments received by the Trustee pursuant to the Loan Agreement or the corresponding provision of any Loan Agreement Amendment shall be deposited in each applicable Interest Account and each applicable Redemption Account of the Bond Fund.

(c) All other receipts when and if required by the Loan Agreement, the Indenture, the Leasehold Mortgage and the Reletting Agreement (if executed) (excluding any payment required to be made to the Port Authority under the PA Lease pursuant to the Leasehold Mortgagee's exercise of remedies thereunder), the Guaranty or any other Security Document to be paid into the Bond Fund, which shall be credited to the applicable Account(s) of the Bond Fund. (*Section 4.04*)

**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 each applicable Interest Account of the Bond Fund, in immediately available funds, any amounts required for the payment of accrued interest due on the applicable Series of Bonds 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 each applicable Principal Account of the Bond Fund, in immediately available funds, the principal amount, if any, due on the applicable Series of 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 each applicable 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 on the applicable Series of Bonds, if any, (accrued interest being payable from the applicable Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the redemption of the applicable Series 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 applicable Sinking Fund Requirement Account of the Bond Fund.

Amounts in each applicable Redemption Account of the Bond Fund to be applied to the redemption or purchase of the applicable Series of Bonds shall be paid to the respective Paying Agent or Tender Agent therefor on or before each Redemption Date or purchase date and applied by it on such Redemption Date to the payment of the Redemption Price of the applicable Series of Bonds being redeemed (accrued interest being payable from the Interest Account of the Bond Fund) or such purchase date to the payment of the Purchase Price of the Bonds being purchased plus interest on such Bonds accrued to the purchase date. (*Section 4.05*)

**Pledged Funds Pledged for Payments**

Subject to the terms and conditions of the Indenture, moneys held for the credit of each Account in the Bond Fund shall be held in trust and disbursed by the Trustee for (a) the payment of interest upon the applicable Series of Bonds as such interest falls due or (b) the payment of the principal of the applicable Series of 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 4.06*)

**Creation of Additional Accounts and Subaccounts**

The Trustee shall, at the written request of the Borrower, establish additional Accounts within any of the Funds established under the Indenture, and Subaccounts within any of the Accounts established pursuant to the Indenture (including in connection with the issuance of Additional Bonds); 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 4.10*)

**Rebate Fund**

The Trustee is authorized and directed to establish a Rebate Fund and a Series 2016 Rebate Account 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, or the corresponding provision of any Loan Agreement Amendment, shall be deposited in the applicable Account of 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

applicable Account of the Rebate Fund after any such payment is made shall be paid over to the Borrower at its written request. (*Section 4.12*)

**Mortgage Reserve Fund**

There shall be established under the Indenture a separate Mortgage Reserve Fund within which there shall be created a Foreclosure Payment Account. On the Closing Date, the Borrower shall pay to the Trustee for deposit to the credit of the Foreclosure Payment Account an amount equal to the Foreclosure Payment Account Requirement pursuant to the Loan Agreement.

In lieu of or in substitution for the moneys required to be deposited into the Mortgage Reserve Fund, the Borrower may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for all or any portion of the Foreclosure Payment Account Requirement for the benefit of the Holders of the Bonds in accordance with the terms and conditions set forth in the Indenture.

Moneys, or any Reserve Fund Facility held in the Foreclosure Payment Account, shall be applied or drawn upon by the Trustee either (i) to pay the Port Authority any amounts due to the Port Authority under Section 92 or under the ATEIRA and the Reletting Agreement (if executed) or (ii) subsequent to a Notice of Termination, a Bonds Default, a Bankruptcy Rejection Date or a Triggering Event Termination Date, in the event that the Trustee determines that it is not in the best interest of the Bondholders to make the payments described in (i) above, or if the Trustee is so directed by Bondholders in accordance with the Indenture, amounts then held in the Foreclosure Payment Account may be used to pay debt service on the Bonds.

The Trustee shall be obligated to value the Foreclosure Payment Account on the first day of each month. If upon a valuation, the total amount of the moneys and the principal amount of investments held for the credit of the Foreclosure Payment Account is less than the Foreclosure Payment Account Requirement, the Trustee shall promptly notify the Issuer and the Borrower of such deficiency and the Issuer shall cause the Borrower to deliver to the Trustee moneys or investments the value of which is sufficient to increase the amount on deposit in such Foreclosure Payment Account to an amount equal to the Foreclosure Payment Account Requirement. If upon any such valuation it is determined that the moneys and investments held for the credit of the Foreclosure Payment Account are in excess of those necessary to maintain the Foreclosure Payment Account Requirement, an amount equal to such excess shall be withdrawn by the Trustee and paid to the Borrower. (*Section 4.13*)

**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 Notes, 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 Notes, 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, Redemption Price or Purchase Price, if any, of 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, Redemption Price or Purchase Price, if any, 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, Redemption Price or Purchase

Price, if any, thereof and the interest thereon shall ever constitute a debt of the State, the JDA, ESD 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 Fund, the Bond Fund, the Mortgage Reserve 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 an 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 that the Borrower has agreed to pay to the Trustee 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 8.01*)

**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 in the payment of Purchase Price of any Bond tendered or deemed tendered for purchase pursuant to the Indenture;

(d) 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 sixty (60) 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*, that with respect to any such failure covered by this subsection (d) that can be cured but not with such sixty (60) days, 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 sixty (60) day period, such remedy is prosecuted with reasonable diligence to completion and the same shall be cured within 180 days;

(e) The occurrence of an "Event of Default" under the Loan Agreement, the Guaranty or the Leasehold Mortgage;

(f) The date of termination of the PA Lease as set forth in the notice from the Port Authority to the Trustee pursuant to the PA Lease to the effect that the Port Authority will terminate the PA Lease pursuant to the terms thereof; or

(g) Receipt by the Leasehold Mortgagee of one or more information statements under the PA Lease showing that said total unpaid amount exceeds Nine Million Eight Hundred Seventy Seven Thousand Dollars and no cents ($9,877,000.00) and failure of the Borrower to pay said amount in accordance with the PA Lease within twenty (20) days after notice of the same from the Leasehold Mortgagee.

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 9.01*)

**Remedies on Events of Default**

Upon the occurrence of an Event of Default, the Trustee shall have the following rights and remedies:

(a) 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) 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) 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 9.02*)

**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 9.03*)

**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, Redemption Price and Purchase Price, if any, of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal, Redemption Price and Purchase Price, if any, of 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 9.04*)

**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 undelivered 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 (except to the extent paid under clause FIRST immediately above) 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 the Indenture 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 9.05*)

**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 9.07, 9.08*)

**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 or rescinded, without the consent of Holders of all applicable Series of Bonds, any Event of Default in the payment of the principal, interest, Redemption Price, Purchase Price, if any, when due, of such Series of Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal, interest, Redemption Price and Purchase Price, 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 9.10*)

**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 9.11*)

**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 or in any description of property subject to the lien of 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 make any change not materially adversely affecting any Bondholder's rights to provide for or to implement the provisions of a Credit Facility, if any, with respect to any of the Bonds.

(8) With respect to any Bonds entitled to the benefits of a Credit Facility, to make any change (other than changes permitted in paragraph (7) above) to provide for or to implement the provisions of such Credit Facility, only if the changes to the Indenture become effective on a Purchase Date on which such Bonds are subject to mandatory tender for purchase.

(9) 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).

(10) 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.

(11) To authorize the issuance of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

(12) To make any change not materially adversely affecting any Bondholder's rights requested by a Rating Agency in order to secure or maintain a rating on the Bonds.

(13) 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.

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 11.01*)

**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, Redemption Price, Purchase Price or Sinking Fund Requirements, if any, of 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 or a change in the mechanics for any interest rate determination method applicable to any Bond or a change in the terms of purchase, in any case without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of the Trust Estate other than the lien or pledge created by the Indenture (including in respect of Additional Bonds) and the Leasehold Mortgage or (iii) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, in each case unless the prior written consent of the Owners of each Bond affected thereby has been obtained.

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 (if the Bonds are then rated), 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 11.02*)

**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, including without limitation changes required in connection with the issuance of Additional Bonds; (vi) to make any other change that, in the judgment of the Trustee does not materially adversely affect the interests of the Bondholders and (vii) modify or amend such Security Documents 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. 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) as described in this paragraph, 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 11.04*)

**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 2016 Note with respect to the Bonds (except as provided therein or in connection with the issuance of a Series of Outstanding Bonds) or the Borrower's or the Parent's obligations under the Guaranty, 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. 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 Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Security Documents (excluding the Indenture) as described in this paragraph, 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 of Series of Tax-Exempt Bonds Outstanding or the validity of any of the Bonds. (*Section 11.05*)

**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, Redemption Price, Purchase Price or Sinking Fund Requirements, if any, of 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 *12.04*)

**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 New York 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 12.06*).

## APPENDIX D

## SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

*The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreement for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Loan Agreement and are included for ease of reference only.*

**Loan of Proceeds**

The Issuer agrees, upon the terms and conditions contained in the Loan Agreement and the Indenture, to loan to the Borrower on the Closing Date an amount equal to the principal amount of the Series 2016 Bonds (the "*2016 Loan*"). The 2016 Loan shall be made by depositing the proceeds of the Series 2016 Bonds in accordance with the Indenture. The Borrower's obligation to repay the loan shall be evidenced by the 2016 Note. If Additional Bonds are to be issued pursuant to the Indenture, the Issuer and the Borrower shall enter into one or more Loan Agreement Amendments to provide for Additional Loans to be made to the Borrower under the Loan Agreement. Such Loan Agreement Amendments shall specify the terms and conditions applicable to such Additional Loans and the lending of the related loan proceeds to the Borrower. (*Section 5.1*)

**Amounts Payable**

The Borrower agrees to pay the Notes and repay the loans made pursuant to the Loan Agreement (including pursuant to any Loan Agreement Amendment), by making the following payments:

(1) The Borrower shall pay to the Trustee in immediately available funds for the account of the Issuer for deposit into the applicable Accounts of the Bond Fund, in accordance with the Indenture on or before each date that any payment of interest (including any interest on any Bond that is not paid on the date due), Sinking Fund Requirement, Purchase Price, Redemption Price or principal is required to be made in respect of the applicable Series of Bonds pursuant to the Indenture, until the principal of and premium, if any, and interest on the applicable Series of Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture or the corresponding provision of any Supplemental Indenture with respect to Additional Bonds, as applicable, 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 applicable Series of Bonds as provided in the Indenture; *provided*, however, that the obligation of the Borrower to make any payment under the Loan Agreement shall be deemed satisfied and discharged to the extent of amounts otherwise available therefor and on deposit in the applicable Accounts of the Bond Fund.

(2) The Borrower 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) The Borrower 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) The Borrower will also pay the reasonable fees and expenses of the Issuer, the Trustee, the Bond Registrar, the Paying Agent and the Underwriters related to the issuance of the Bonds, such fees and expenses to be paid when due and payable by the Borrower directly to each of the Issuer, the Trustee, the Bond Registrar, the Paying Agent and the Underwriters, respectively, for its own account.

(5) The Borrower 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) The Borrower 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 the Borrower under the Indenture.

(7) In the event the Borrower shall fail to make any of such payments, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, waived or determined to have not been payable. (*Section 5.2*)

**Unconditional Obligation**

The obligation of the Borrower to make the payments required under "Amounts Payable" above shall be absolute and unconditional. The Borrower 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 the Borrower may have or assert against the Issuer, the Trustee or any other Person. (*Section 5.3*)

**Prepayments**

The Borrower may prepay all or any part of the amounts required to be paid by it under the Loan Agreement, at the times and in the amounts provided in the Indenture or the corresponding provisions of any Supplemental Indenture for redemption of Bonds or otherwise defease the Bonds, and in the case of mandatory redemptions of the Bonds, the Borrower shall cause to be furnished to the Issuer such amounts on or prior to the applicable redemption dates. Prepayment of amounts due under the Loan Agreement shall be deposited in the applicable Redemption Account of the Bond Fund. (*Section 5.4*)

**Obligation to Maintain and Repair**

During the term of the Loan Agreement, the Borrower will keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by the PA Lease, the Consent Agreement and the Loan Agreement, and will make (subject to the Borrower's rights under the Loan Agreement), all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure the continued operation of the Facility. All replacements, renewals and repairs shall be made and installed in compliance with the requirements of all governmental bodies having a jurisdiction therefor. The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Borrower agrees to assume full responsibility therefor.

The Borrower shall have the right to make such alterations of or additions to the Facility or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, *provided* that (i) such additions or alterations are effected in compliance with all applicable legal requirements, (ii) such additions or alterations do not change either the nature of the Facility so that it would not constitute a qualified project under the Act nor the nature of the Facility so that it would not constitute an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, and (iii) such additions or alterations are effected in accordance with the Basic Lease, the Consent Agreement and the PA Lease. All alterations of and additions to the Facility shall constitute a part of the Facility, subject to the Loan Agreement, the Leasehold Mortgage, the PA Lease, the Consent Agreement, and the Basic Lease, and such alterations and additions shall automatically be deemed to be subject to the Loan Agreement.

Notwithstanding anything in the Loan Agreement to the contrary, the Borrower shall have the right to install or permit to be installed at the Facility machinery, equipment and other tangible personal property not constituting part of the Financed Equipment (the "*Borrower's Property*") without subjecting such property to the Loan Agreement and the Leasehold Mortgage. The Issuer shall not be responsible for any loss of or damage to the Borrower's Property. Subject to the terms of the PA Lease, the Borrower shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Borrower's Property provided that such mortgage, encumbrance, lien or charge or conditional sale or title retention agreement does not create or constitute a lien or encumbrance on the Facility except for Permitted Encumbrances. (*Section 6.1*)

**Taxes, Assessments and Charges**

The Borrower 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 Notes 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 the Borrower'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, except in each case where the failure to make or cause to be made any such payment could not reasonably be expected to have a material adverse effect on the Borrower's operations at the Facility.

The Borrower 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 Notes will not be endangered, (ii) the lien of the Leasehold Mortgage or any payments thereunder will not be endangered, (iii) the Facility or any part thereof will not be subject to loss or forfeiture, and (iv) the Borrower 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), (ii) and (iii) 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. (*Section 6.2*)

**Insurance**

At all times throughout the term of the Loan Agreement, including without limitation during any period of reconstruction of the Facility, the Borrower shall maintain all insurance coverages required under the PA Lease as in effect on the Closing Date. (*Section 7.1(a)*)

**Condemnation**

If on or after the date set forth in a certificate delivered to the Trustee by an Authorized Issuer Representative title to, or the temporary use of, the Facility or any portion thereof shall have been taken or condemned by a competent authority for any public use or purpose, the Borrower (unless it shall have exercised its option to prepay all of the Bonds) shall, subject to the requirements of the PA Lease, use any Net Condemnation Proceeds to redeem Bonds in accordance with the Indenture. (*Section 7.3*)

**The Borrower's Covenant as to Tax Exemption**

The Borrower 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 Tax-Exempt Bonds being included in gross income of the Bondholders for the purposes of federal income taxation (other than (i) interest on the Tax-Exempt Bonds accruing while owned by a "Substantial User" or a related person (within the meaning of Section 147 of the Code) and (ii) the inclusion of interest on any Tax-Exempt Bond in the computation of minimum or indirect taxes). In furtherance of the covenant contained in the preceding sentence, the Borrower agrees to comply with the terms, provisions and conditions in the Tax Certificate, including without limitation, the making of any payments and filings required thereunder.

Notwithstanding any other provision of the Indenture or the Loan Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for purposes of federal income taxation (other than (i) interest on the Tax-Exempt Bonds accruing while owned by a "Substantial User" or a related person (within the meaning of Section 147 of the Code) and (ii) the inclusion of interest on any Tax-Exempt Bond in the computation of minimum or indirect taxes), the covenants described in this section shall

survive the discharge and satisfaction of the Tax-Exempt Bonds (in accordance with the Indenture) and the term of the Loan Agreement.

Without limitation of the foregoing, the Borrower agrees that following its receipt of notice from the Port Authority pursuant to the PA Lease with respect to any gate terminations (or of property directly related and necessary to the use of that gate), the costs of which were refinanced in whole or in part with proceeds of the Tax-Exempt Bonds, but the control of which the Borrower has relinquished pursuant to said provisions of the PA Lease, to the effect that (i) the Port Authority has entered into a lease, license, use agreement or other arrangement conveying to any person exclusive or preferential use of that gate or related property, (ii) the arrangement has a term (including all renewal options) of in excess of 30 days and (iii) the arrangement is with a person other than a Scheduled Aircraft Operator that is a common carrier obligated by law to utilize such property to provide transportation services to the general public, or if the Borrower determines that any such arrangement is for a term (including all renewal options other than for fair market rental to be determined at the time of exercise of such options) of in excess of 80% of the reasonably expected economic life of the property (determined in accordance with the provisions of Section 147(b) of the Code), the Borrower (to the extent that it determines that such action is necessary to the preservation of the exclusion from gross income pursuant to Section 103 of the Code of interest on any of the Tax-Exempt Bonds (other than (i) interest on the Tax-Exempt Bonds accruing while owned by a "Substantial User" or a related person (within the meaning of Section 147 of the Code) and (ii) the inclusion of interest on any Tax-Exempt Bond in the computation of minimum or indirect taxes) will exercise its right to cause the redemption or defeasance for later redemption by the Issuer of all or such portion as of the Tax-Exempt Bonds as the Borrower may direct. (*Section 8.5*)

**Compliance with Law**

The Borrower agrees to comply with all Legal Requirements, except where noncompliance could not reasonably be expected to have a material adverse effect on the Borrower's operations at the Facility, and covenants such 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. (*Section 8.8*)

**Dissolution or Merger of the Borrower**

The Borrower 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 the Borrower may elect) if:

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

(2) in the event that the Borrower 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 under whose laws such entity is organized, (C) assumes in writing all of the obligations of the Borrower contained in the PA Lease, the Loan Agreement and all other Security Documents to which the Borrower shall be a party, and in the Opinion of Counsel delivered to the Issuer and the Trustee such entity shall be bound by all of the terms applicable to predecessor entity under the PA Lease, the Loan Agreement and all other Security Documents to which the predecessor entity shall have been a party, 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 PA 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 agree to 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 Security Document. (*Section 8.10*)

**No Further Encumbrances Permitted**

Except as contemplated in the Loan Agreement, the Borrower shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against (i) the Facility or any part thereof, or the interest of the Borrower in the Facility, except for Permitted Encumbrances, or (ii) the Trust Estate or any portion thereof, the loan payments or other amounts payable under the Loan Agreement, the Notes or any of the other Security Documents or the interest of the Issuer or the Borrower in any Security Document, other than Permitted Encumbrances. (*Section 8.13*)

**Retention of Interest in Facility**

The Borrower shall not sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of its interest in the Facility, or any part thereof, except as otherwise provided for in the Loan Agreement or in accordance with the Leasehold Mortgage, without (i) the prior written consents of the Issuer and of the Trustee and (ii) the Borrower delivering to the Trustee and the Issuer a Favorable Opinion of Bond Counsel. Any purported disposition without such consents and opinion shall be void. (*Section 8.14(a)*)

**Certain Matters Concerning the PA Lease and the Leasehold Mortgage**

The Borrower shall not, without the prior consent of the Trustee, (i) modify, amend, supplement or extend Section 92 of the PA Lease, (ii) modify, amend, or terminate the Leasehold Mortgage, or (iii) enter into any amendment of the PA Lease which shall only affect an Approved Successor Lessee under the PA Lease and shall not affect the Borrower. The Borrower shall not enter into any termination agreement with respect to the PA Lease, nor surrender or abandon its interest in the Facility under the PA Lease other than as contemplated by the Loan Agreement. The Port Authority shall have the right in accordance with the Consent Agreement and the PA Lease to terminate the Leasehold Mortgage. (*Section 8.16*)

**Assignment, Lease or Sale**

Except as otherwise provided above under "Dissolution or Merger of the Borrower," the Borrower 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 the Borrower (v) has assumed in writing and has agreed to keep and perform all of the terms of the PA Lease, the Loan Agreement and the other Bond Documents and Security Documents on the part of the Borrower to be kept and performed, (w) is solvent and subject to service of process in the State and organized under the laws of the State or any other state, (x) is qualified to do business in the State, (y) is in good standing in the state under whose laws such entity is organized, and (z) is not a Prohibited Person;

(2) the Borrower delivers to the Issuer and the Trustee (y) an Opinion of Counsel to the effect that the terms applicable to such entity of the PA Lease, the Loan Agreement and all other Security Documents to which the Borrower shall have been a party are legally binding on such assignee or transferee, 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 Security Document. (*Section 9.3(a)*)

**Events of Default**

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

(1) Failure by the Borrower to make any payments described above under "–Amounts Payable;"

(2) The occurrence of an Event of Default under the Indenture (subject to applicable cure periods thereunder);

(3) Any material representation by or on behalf of the Borrower 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 the Borrower to observe or perform any of the other covenants, conditions, payments or agreements under the Loan Agreement for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower 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 sixty (60) day period, such remedy is prosecuted with reasonable diligence to completion and the same shall be cured within 180 days;

(5) The Borrower 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 the Borrower 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 the Borrower 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 the Borrower, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, arrangement, dissolution, winding-up or composition or adjustment of debts of the Borrower, (ii) the appointment of a trustee, receiver, custodian, assignee, sequestrator, liquidator or similar official of the Borrower or of all or any substantial part of its assets, or (iii) similar relief in respect of the Borrower 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 ninety (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 the Borrower shall be entered in an involuntary case under said Federal Bankruptcy Code; or

(7) the termination of the PA Lease prior to its expiration. (*Section 10.1*)

**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 2016 Note, and described above under "–Amounts Payable" above, 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 expressly waived by the Borrower; 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 2016 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 the Borrower 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 the Borrower then due and owing. (*Section 10.2*)

## APPENDIX E

## SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES

*The following is a summary of certain provisions of the Guaranties. This summary does not purport to be complete and reference is made to the Guaranties for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Guaranties and are included for ease of reference only. Except as noted below, the Guaranties contain substantially the same terms and provisions.*

### Guaranty of the Bonds

Each Guarantor has executed and delivered to the Trustee its respective Guaranty, pursuant to which it unconditionally guarantees to the Trustee for the benefit of the owners of the Bonds outstanding under the Indenture, including the Series 2016 Bonds: (a) the full and prompt payment of the principal and purchase price of, and premium, if any, on the Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise and (b) the full and prompt payment of interest on the Bonds and, to the extent permitted by law, interest on overdue interest and premium, when and as the same shall become due and payable as provided in the Indenture. The obligations of each Guarantor under its Guaranty will be absolute, unconditional and immediately enforceable when each payment is due thereunder and will remain in full force and effect until such date as the Indenture is discharged and satisfied in accordance with the terms of the Indenture.

### Assignment; Dissolution or Merger; Ability to Incur Debt

Under the AAG Guaranty, AAG may assign the AAG Guaranty to any Person. Except as provided in the immediately succeeding paragraph, no such assignment pursuant to the immediately preceding sentence will release AAG from any of its obligations under the AAG Guaranty unless 100% of the Holders of the Outstanding Bonds have consented to such release. American may not assign its obligations under the American Guaranty; *provided* that American may and shall assign the American Guaranty to any Person to whom it assigns the Port Authority Lease in its entirety (by operation of law or otherwise) as provided in the Port Authority Lease (and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Assignment and Sublease"). Consistent with the provisions of the AAG Guaranty, except as provided in the immediately succeeding paragraph, no assignment of the American Guaranty pursuant to the immediately preceding sentence will release American from any of its obligations under the American Guaranty unless 100% of the Holders of the Outstanding Bonds have consented to such release.

Each Guarantor agrees that during the term of its respective Guaranty it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity unless the surviving entity or transferee, as applicable, is a solvent corporation or other solvent entity and, concurrently with such transaction, irrevocably and unconditionally assumes in writing, by means of an instrument which is delivered to the Issuer and the Trustee, all of the obligations of such Guarantor under such Guaranty (unless such Guarantor is the survivor, in which case no such written assumption will be required). Upon any dissolution, disposition, merger or consolidation in accordance with the preceding sentence, the successor entity formed by such consolidation or into which such Guarantor is merged or to which such disposition is made will succeed to, and be substituted for, and will exercise every right and power of, such Guarantor under its respective Guaranty with the same effect as if such successor entity had been named as the Guarantor therein. Upon any dissolution or disposition in accordance with the next preceding sentence where the applicable Guarantor is not the surviving entity, such Guarantor shall automatically be released from all of its obligations under its respective Guaranty. Under the American Guaranty, the provisions described in this paragraph are also subject to the requirement that the guarantor under the American Guaranty must at all times be the Person that is the "Lessee" under the Port Authority Lease.

The Guaranties do not contain any restriction on the ability of AAG or American to incur debt or, except as described in the preceding paragraph, to sell or otherwise transfer any portion of its assets.

**Events of Default**

The following constitute "Events of Default" under each Guaranty:

(1) The applicable Guarantor fails under such Guaranty to make any payment with respect to the principal or purchase price of, or premium, if any, on the Bonds and such default continues for five Business Days from the date such payment was due;

(2) The applicable Guarantor fails under such Guaranty to make any payment with respect to interest on the Bonds and such default continues for five Business Days from the date such payment was due;

(3) The applicable Guarantor fails to observe and perform any other covenant in such Guaranty and such failure continues for more than 60 days after written notice of such failure (which shall be deemed given when delivered or when mailed by registered or certified mail) has been given to such Guarantor by the Trustee;

(4) Any warranty, representation or other statement by the applicable Guarantor contained in such Guaranty is false or misleading in any material respect as of the date made; or

(5) The dissolution or liquidation of the applicable Guarantor or the commencement by the applicable Guarantor of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; the entry of a decree or order for relief in respect of the applicable Guarantor by a court of competent jurisdiction in an involuntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the applicable Guarantor or for any substantial part of its property and the failure of such decree, order or appointment to be discharged within 90 days after such decree, order or appointment; the assignment by the applicable Guarantor of all or substantially all its assets for the benefit of creditors or the entry by the applicable Guarantor into an agreement of composition with creditors; or the taking of any action by the applicable Guarantor in furtherance of the foregoing. The term "dissolution or liquidation of the applicable Guarantor" may not be construed to include cessation of the corporate existence of the applicable Guarantor resulting from either a merger or consolidation of the applicable Guarantor into or with another entity or dissolution or liquidation of the applicable Guarantor following a transfer of all or substantially all of its assets as an entirety under the conditions permitting such actions with respect to the applicable Guarantor contained in such Guaranty and described above under "—Assignment; Dissolution or Merger; Ability to Incur Debt."

Upon an Event of Default under a Guaranty, the Trustee will have the right to proceed first and directly against the applicable Guarantor under such Guaranty without resorting to any security held by the Issuer or the Trustee under the Indenture.

**Governing Law**

Each Guaranty is governed by the laws of the State of New York.

## APPENDIX F

## SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE

*The following is a summary of certain provisions of the Port Authority Lease. This summary does not purport to be complete and reference is made to the Port Authority Lease for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Port Authority Lease and are included for ease of reference only.*

### General

American has leased from the Port Authority, pursuant to the Port Authority Lease, the Premises on which the Facility is located at the Airport. The Port Authority Lease is subject to the Basic Lease between the City and the Port Authority under which the City, the fee owner of the real property comprising the majority of the Airport and existing improvements thereon, has leased such real estate to the Port Authority. The current expiration date of the Basic Lease is December 31, 2050, subject to earlier termination in certain circumstances.

### Redevelopment Work

American agreed to submit to the Port Authority for its approval American's comprehensive plan for the redevelopment of the Premises. American agreed that its comprehensive plan for the Redevelopment Work (which was to include construction work both on and off the Premises) would include, among other things:

(1) A three level main passenger terminal building and a two level remote passenger terminal building consisting of approximately 1.4 million total square feet of floor space for both buildings, and all associated and related areas and facilities;

(2) Not less than thirty-six aircraft loading and unloading gate positions, of which at least twenty-four are to accommodate wide-body aircraft and of which no more than ten are to accommodate regional jet aircraft; and

(3) Related mechanical areas, concession areas, utility conduits, fuel systems, roadways, aircraft ramp and apron areas, grading and landscaping and ground transportation systems.

All such Redevelopment Work, whether on or off the Premises, was to be at American's sole cost and expense and in conformance with the design criteria contained in the Port Authority Tenant Construction Review Manual, as the same may be amended from time to time.

All Redevelopment Work was to be done in accordance with the terms and conditions set forth in the Port Authority Lease.

American agreed that it would put into effect prior to the commencement of any of the Redevelopment Work an affirmative action program and minority business enterprise program and women-owned business enterprise program in accordance with the provisions of the Port Authority Lease.

In general, title to the Redevelopment Work passed to the City as the same or any part thereof was erected, constructed or installed and as the same became a part of the Premises. When the Redevelopment Work was substantially completed and ready for use, American was to advise the Port Authority to such effect and deliver to the Port Authority a certificate signed by an authorized officer of American and also signed by American's licensed architect or engineer certifying that the Redevelopment Work was constructed in accordance with the approved plans and specifications and the provisions of the Port Authority Lease and in compliance with all applicable laws, ordinances and governmental rules, regulations and orders. Thereafter, the Redevelopment Work was to be inspected by the Port Authority and if it had been completed as certified by American and American's licensed architect or engineer, as aforesaid, a certificate to such effect was to be delivered to American, subject to the condition that all risks thereafter with respect to the construction and installation of the Redevelopment Work and any liability for negligence or other reason were to be borne by American. The passenger terminal building

constructed as part of the Redevelopment Work, now designated as Terminal 8, opened for service in 2007 and was completed in September 2008. In March, 2016, in accordance with the Port Authority Lease, American removed three passenger boarding bridges from Terminal 8, and replaced them with two passenger boarding bridges capable of accommodating larger aircraft and more passengers in the aggregate. Terminal 8 now consists of thirty-five aircraft loading and unloading gate positions.

**Expanded Terminal Work**

American may construct, on portions of the Premises, including Parcel M, an expansion of the main passenger terminal building so that, together with the remote passenger terminal building, the Facility will in the aggregate contain a total of fifty-five gates, of which at least thirty-five will accommodate wide-body aircraft and at least two will accommodate narrow-body aircraft, or, if American requests, such lesser number of gates of such sizes and configurations as the Port Authority may approve (the *"Expanded Terminal Work"),* Any such expansion is subject to the approval of the Port Authority of American's comprehensive plan for the construction of the Expanded Terminal Work and will be subject to the same terms and conditions (as applicable) as applied to the Redevelopment Work as described in the Port Authority Lease. In addition, all of the rights and obligations of the Port Authority and American as they apply to the Redevelopment Work will apply to the Expanded Terminal Work.

**Term**

The current expiration date of the Port Authority Lease is December 31, 2036. The Port Authority Lease is subject to earlier termination by the Port Authority in certain circumstances as outlined below in the subsection entitled "Termination by Port Authority."

**Rent**

As of February 1, 2013, the effective date of the Fourth Supplemental Agreement to the Port Authority Lease, American agreed to pay the Port Authority ground rent equaling approximately $12,576,885.66 per year, such amount being subject to annual increases based upon the percentage increase of the consumer price index. The rent is payable by American in advance in equal monthly installments. There are general abatement provisions covering casualty and condemnation, among other things.

American is obligated to pay "Terminal Rental" (as defined below) to the Port Authority on the new terminal contemplated by the Redevelopment Project from and after December 22, 2031 *(*the *"Terminal Rental Commencement Date").* On the Terminal Rental Commencement Date, the Port Authority will take a certain terminal rental rate (calculated as set forth in the Port Authority Lease) and multiply it by the number of square feet of interior space in the new terminal building (such calculated figure being referred to herein as the *"Terminal Rental"). As* of the Terminal Rental Commencement Date, American has agreed to pay the Port Authority 33.33% of the Terminal Rental, as adjusted annually by a percentage of the percentage increase of the consumer price index. The percentage of Terminal Rental payable by American is subject to adjustment on an annual basis during the remainder of the term of the letting under the Port Authority Lease.

In addition to the foregoing American is obligated to pay the following additional rentals:

(a) *Leasehold Mortgage Rental.* From and after the date of issuance of the Series 2016 Bonds, and until the termination of the Leasehold Mortgage, on each date that American is obligated to pay debt service on the Bonds, American is obligated to pay the Port Authority an amount equal to two and three-quarters percent (2.75%) of the amount of debt service payable on such date.

(b) *Leasehold Mortgage Termination Fee.* In the event the Bonds are refinanced and the Leasehold Mortgage is terminated in connection therewith, American is obligated to pay the Port Authority, as additional rent, a one-time fee of one and one-half percent (1.5%) of the amount of

debt service payable in connection with such refinancing and termination of the Leasehold Mortgage.

(c) *Additional Land Rental.* American is also obligated to pay the Port Authority an additional annual rental in an amount equal, as of February 1, 2013, to approximately $2,590,390.25 (payable in equal monthly installments), such amount to be increased annually by one-half of the annual percentage increase, if any, in the Consumer Price Index as set forth in the Port Authority Lease (such calculated amount, the *"Additional Land Rental").* Additional Land Rental is payable by American until the earliest to occur of (i) the expiration of the Port Authority Lease, (ii) the Expanded Terminal Work Completion Date and (iii) the Parcel M Surrender Date.

**Late Charges**

If American fails to pay any amounts due under the Port Authority Lease when due, the Port Authority may impose a late charge with respect to each such unpaid amount for each late charge period (approximately every 2 weeks), each such late charge not to exceed an amount equal to .8% (eight tenths of one percent) of the unpaid amount for each late charge period.

**Letter of Credit**

American caused to be delivered to the Port Authority one or more letters of credit in the aggregate amount of $2,800,000 (the *"Security Amount")* as security for American's full, faithful and prompt performance of the payment of all rentals, fees and other amounts, charges and obligations now or in the future to become due and owing under the Port Authority Lease, and all other present and future obligations covered by the Port Authority Lease. The form and terms of each letter of credit, as well as the institution issuing it, are subject to the prior and continuing approval of the Port Authority.

The security provided by such letter of credit or letters of credit shall continue until the last day of the sixth full calendar month occurring after the expiration or earlier termination or revocation of the Port Authority Lease. If at any time during this period a payment is made to the Port Authority under any letter of credit, American, within 10 days thereafter shall cause the reinstatement of the available amount under such letter of credit, or cause to be delivered to the Port Authority an additional letter of credit satisfactory to the Port Authority, so that the Port Authority shall have a letter of credit or letters of credit in the Security Amount.

In the event that the rentals payable by American under the Port Authority Lease for two consecutive months shall exceed the existing Security Amount (the amount that such rentals exceed the existing Security Amount being the *"Increased Bi-Monthly Rental"),* the Security Amount may be increased by the Port Authority upon thirty (30) days' notice to American in an amount equal to the Increased Bi-Monthly Rental and American shall deliver to the Port Authority before the expiration of such 30-day period a new letter of credit in the amount of the Increased Bi-Monthly Rental, or an amendment to a letter of credit then being held by the Port Authority increasing the amount available under such letter of credit in the amount of the Increased Bi-Monthly Rental.

In the event that the rentals payable by American under the Port Authority Lease for two consecutive months shall be less than the existing Security Amount (the amount that the existing Security Amount shall exceed such rentals being the "*Decreased Bi-Monthly Rental*") the Security Amount may be decreased by American upon 10 days' notice to the Port Authority in an amount equal to the Decreased Bi-Monthly Rental, *provided, however*, the Security Amount may not be so decreased if at any time in the twelve-month period immediately preceding the date of the receipt of such notice by the Port Authority, the Port Authority has paid any sum or incurred any obligation, expense or cost by reason of the default by American in the performance or observance of any term of the Port Authority Lease. Such decrease in the Security Amount shall be effectuated by the delivery by American to the Port Authority of a substitute letter of credit for a letter of credit then being held by the Port Authority, providing for a decrease in the amount available under such letter of credit in the amount of the Decreased Bi-Monthly Rental.

**Termination by Port Authority**

The Port Authority Lease is subject to earlier termination by the Port Authority in the event that:

(a) American 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, American is adjudged bankrupt or an order is made approving a petition filed by any of its creditors or by any of the stockholders of American, 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 any state thereof, provided that if any such judgment or order is stayed or vacated within 60 days after the entry thereof, any notice of cancellation shall be and become null, void and of no effect; 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 American, and such possession or control shall continue in effect for a period of 60 days; or

(d) American voluntarily abandons, deserts or vacates the Premises or discontinues its operations at the Airport, or after exhausting or abandoning any right of further appeal, American, because of an act or omission of American, 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; or

(e) Any lien is filed against the Premises because of any act or omission of American and is not discharged within 30 days after American receives notice thereof; or

(f) Except as otherwise provided in the Port Authority Lease, the letting under the Port Authority Lease of the interest or estate of American under the Port Authority Lease is transferred directly by American 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 American and is not dismissed within 90 days after the filing thereof; or

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

(i) American fails to pay the rentals or to make any other payment required under the Port Authority Lease when due to the Port Authority and continues in its failure to pay rentals or to make any other payments required under the Port Authority Lease for a period of 20 days after receipt of notice by it from the Port Authority to make such payments; or

(j) American fails to keep, perform and observe each and every other promise, covenant and agreement set forth in the Port Authority Lease on its part to be kept, performed, or observed, within 30 days after receipt of notice of default from the Port Authority (except where fulfillment of its obligation requires activity over a period of time, and American has 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); or

(k) Any change in the identity of American, or the use of the Premises which causes the Port Authority to be in breach of the Terminal 4 Covenant and the condition causing such breach has not been remedied within 90 days after American receives notice of default from the Port Authority; or

(l) The occurrence of a Change in Control which either (i) results in a detectable decrease in the amount of, and a change in the nature of, American's scheduled passenger aircraft operations at the Airport or (ii) has the effect of causing the Port Authority Lease to become the only asset or a greater portion of the assets of American than prior to such Change in Control.

The Port Authority Lease is subject to termination upon the termination of the Basic Lease.

The term of the Port Authority Lease is also subject to termination, resulting in American being deemed a hold-over tenant, on a month-to-month periodical basis, due to the occurrence of any of the following (referred to as *"Triggering Events"):*

(a) Failure by American to make payment as provided in two or more of the categories listed below:

(i) payment of monthly installments of rent to the Port Authority on the first day of each calendar month;

(ii) payment of all sums, including, without limitation, flight fees under the JFK Flight Fees Agreement and fuel gallonage fees under the General Airport Agreement, or otherwise, on or before the date required for payment in such agreements; or

(iii) payment of all sums due to the Port Authority under the Port Authority Lease or otherwise, and outstanding for more than 30 days, appearing on a statement of account rendered by the Port Authority to American.

(b) As a result of a default by American, other than a default arising due to compliance by American with any applicable law or directive or *(provided* that American has satisfied the Port Authority that it is reasonable to comply therewith) with any requirement, whether having the force of law or not, of any governmental or regulatory authority to which American is subject, unless such default results in American becoming bound to repay prematurely any of its indebtedness for borrowed moneys as described in (i) below (not being that in respect of which the default has occurred) and steps are taken to obtain repayment thereof:

(i) American becomes bound to repay prematurely any of its indebtedness for borrowed moneys having, an outstanding aggregate principal amount of at least $25 million or its equivalent in any other currency or currencies (the *"Specified Amount")* and steps are taken to obtain repayment thereof; or

(ii) any such indebtedness having an outstanding aggregate principal amount of at least the Specified Amount or any guarantee or indemnity by American of any indebtedness of any Person for borrowed moneys having an outstanding aggregate principal amount of at least the Specified Amount is not, when due, paid by the latest of (A) its due date, (B) the expiry of any applicable grace period and (C) if payment is prevented by any applicable law, 15 days after the first date on which payment is permitted, unless American satisfies the Port Authority that such acceleration, default or failure to pay is being contested in good faith by American or unless

American demonstrates to the Port Authority that such acceleration, default or failure to pay has arisen from events other than those which would signify a deterioration in American's financial position or an inability to meet its financial obligations under such indebtedness; or

(c) a creditor takes possession of, or an administrative or other receiver is appointed for, the whole or a substantial part of the assets of American and such taking of possession or appointment is not released, discharged or canceled within 60 days; or

(d) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the assets of American and is not discharged, dismissed or stayed within 60 days thereof; or

(e) American stops payment generally or is unable to pay its indebtedness generally as and when it falls due (otherwise than for the purposes of a solvent reconstruction, amalgamation or merger the terms of which have previously been approved in writing by the Port Authority) or ceases or threatens to cease to carry on all or substantially all of its business; or

(f) American makes an assignment for the benefit of creditors generally or admits in writing its inability to pay its indebtedness generally as it becomes due or takes corporate action in furtherance of any such action.

Any such month-to month periodical tenancy is terminable by either the Port Authority or American in accordance with law. If four consecutive calendar quarters have elapsed after a Triggering Event has occurred during which time American is in occupancy of the Premises as a month-to-month tenant, and during such period none of the Triggering Events have occurred or continue to occur, American is not in default in the payment of rental or any other provision of its month-to-month tenancy and neither the Port Authority nor American has terminated the month-to-month tenancy by notice to the other, then upon request by either party to the other, American and the Port Authority will enter into a supplementary agreement to be prepared by the Port Authority and to be promptly executed by the Port Authority or American which provides for the re-establishment of a tenancy between the Port Authority and American on a fixed term basis in accordance with all of the terms and provisions of the Port Authority Lease, and upon said execution the Port Authority Lease, as the same may theretofore have been supplemented, amended or extended, shall have the fixed term stated in the Port Authority Lease.

**Reallocation and Recapture of Gate Positions**

The Port Authority is permitted to reallocate to other airlines, or recapture, gate positions, as well as aircraft ramp and terminal facilities, leased to American under the Port Authority Lease in certain circumstances.

(a) If another airline requests the use of certain gates (and related ramp and terminal facilities) in the Facility, the Port Authority may require American to so accommodate such airline. If American is able to accommodate such airline, American would be compensated by such other airline for the reallocation at reasonable market rates. If American is unable to accommodate such airline, the Port Authority has the option, on 60 days' notice to American, to recapture and terminate the letting of the requested gates (and related facilities).

(b) If American does not satisfy certain usage requirements set forth in the Port Authority Lease, the Port Authority has the option, on six months' notice to American, to recapture and terminate the letting of the requested gates (and related facilities).

In order to effectuate a recapture in either circumstance set forth in Section 45 or Section 46 of the Port Authority Lease, the Port Authority is obligated to make a one-time payment to American and/or the Leasehold Mortgagee in an amount representing the pro-rata share (as calculated in the Port Authority Lease) of American's unamortized investment in the Redevelopment Work and the Expanded Terminal Work and an amount representing the pro-rata share of the principal amount of the Bonds. American would also receive a pro-rata reduction (as calculated in the Port Authority Lease) in the applicable ground rental then payable.

**Termination by American**

Except as otherwise described in the immediately succeeding paragraph, American may terminate the Port Authority Lease prior to its expiration if:

(a) American is prevented from operating its air transportation system to and from the Airport by reason of its inability to use a substantial part of all of the runways and taxiways:

(i) for a period of longer than 30 consecutive days as a result of any condition of the Airport not due to the fault of American;

(ii) for a period of longer than 90 consecutive days as a result of a permanent injunction issued by any court of competent jurisdiction; or

(iii) for a period of longer, than 90 consecutive days as, a result of any order, rule or regulation of the FAA or other governmental agency having jurisdiction over the operations of American with which American is unable to comply at reasonable cost or expense; or

(b) the Port Authority fails to perform any of its obligations under the Port Authority Lease within 20 days after receipt of a notice of default thereunder from American (except where fulfillment of its obligation requires activity over a period of time, and the Port Authority has commenced to perform whatever may be required for fulfillment within 20 days after receipt of notice and continues such performance without interruption, except for causes beyond the control of the Port Authority):

Notwithstanding the provisions of the Port Authority Lease described in subparagraphs (a) and (b) above, American shall not have the right to terminate the Port Authority Lease without the consent of the Leasehold Mortgagee prior to the date that the Leasehold Mortgage and the Reletting Rights of the Leasehold Mortgagee automatically terminate pursuant to Section 92 as described in this Appendix F under "—Leasehold Mortgage and Foreclosure *Rights—Automatic Termination."*

**Assignment and Sublease**

American has agreed that it will not sell, convey, transfer, mortgage, pledge or assign the Port Authority Lease or any part of the Premises, or any rights created thereby or the letting thereunder or any part thereof without the prior written consent of the Port Authority; *provided, however,* that the Port Authority Lease may be assigned in its entirety (by operation of law or otherwise) without such consent to any successor in interest of American which is or is to be a Scheduled Aircraft Operator, and into which American merges or with which American consolidates, or which succeeds to the assets of American or the major portion of its assets related to its air transportation system, if immediately following the merger, consolidation or assignment either (i) the entity which then is American has a Tangible Net Worth (as defined below) equal to at least 95% of that of American immediately preceding the merger, consolidation or assignment or (ii) the entity which then is American has Debt (as defined below) that is rated by both Rating Agencies (as defined below) at or above Investment Grade (as defined below); *provided* that if American's Debt is then not rated by both Rating Agencies and is only rated by one of the Rating Agencies, the rating then given by that Rating Agency rating American's Debt shall be used (together, the *"Financial Tests");* or, in the event neither of the Financial Tests is satisfied, if American prior to the effectuation of such assignment submits to the Port Authority the Consent Security Deposit (as defined below). As used in the preceding sentence, the term *"Tangible Net Worth"* shall mean the difference between American's total assets and the sum of (i) American's intangible assets and (ii) American's total liabilities; the term "Debt" shall mean all obligations of the entity which then is American that are evidenced by indebtedness which are considered or known as senior unsecured long-term indebtedness; the term "Grade" shall mean that evaluation of the quality of such Debt as determined by. the Rating Agencies (as hereinafter defined); the term *"Rating Agencies"* shall mean each of Fitch, Moody's Investors Service, Inc. ("*Moody's*") or S&P, if then providing a rating on a series of Bonds; the term *"Investment Grade"* shall mean a Grade of "BBB-" or higher by S&P or "Baa3" or higher by Moody's or such other equivalent designation that any of such Rating Agencies may use publicly (n. the future to designate the

relative investment qualities of debt securities and to differentiate between those investments that are investment grade and those that are not.

In the event that American becomes the possessor (surviving) corporation in a merger without the prior written approval of the Port Authority and neither of the Financial Tests is satisfied, American shall submit to the Port Authority within 15 days following such merger all appropriate information and documentation sufficient to allow the Port Authority to determine whether the Financial Tests are satisfied. Thereafter if the Port Authority determines that neither of the Financial Tests is satisfied, the Port Authority shall by written notice advise American of the same and American shall submit the Consent Security Deposit to the Port Authority not later than 15 business days following said notice from the Port Authority.

The "*Consent Security Deposit*" shall mean an aggregate amount equal to (i) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever) payable to the Port Authority by American arising out of or in connection with or due from its activities, operations, leases, permits or other agreements at the Airport, during the 12 calendar month period immediately preceding the calendar month of the date, of the merger, consolidation or assignment, such sum under this clause (i) being limited, however, to the aggregate of the three highest monthly totals of said monetary obligations for any three calendar months during said 12 calendar month period with said sum to be determined by the Port Authority; plus (ii) the sum of all of the monetary obligations (including without limitation rent, fees, and charges of any type whatsoever), if any, payable to the Port Authority by the entity with which American merges or consolidates or to which the Lease is assigned arising out of or in connection with or due to its activities, operations, leases, permits or other agreements, if any, at the Airport, during the 12 calendar month period immediately preceding the, calendar month of the date of the merger, consolidation or assignment, such sum under this clause (ii) being limited, however, to the aggregate of the three highest monthly totals of said monetary obligations for any three calendar months during said 12 calendar month period, with said sum to be determined by the Port Authority. In the event the Consent Security Deposit is delivered, the terms, provisions and conditions governing the use of said Consent Security Deposit shall be set forth in the assumption instrument referred to therein.

In addition, if any of the events described in subparagraph (a) of the subsection entitled "—Termination by American" set forth above occur, American has the right to sublet the entire Premises or assign the Port Authority Lease with the consent of the Port Authority, which consent will not be unreasonably withheld if the sublessee or assignee is a Scheduled Aircraft Operator.

**Leasehold Mortgage and Foreclosure Rights**

Notwithstanding the provisions of the Port Authority Lease limiting assignments and transfers of the Premises, American has the right (exercisable one time only) to execute and record the Leasehold Mortgage in accordance with Section 92. The Leasehold Mortgage secures only the obligations of (i) American (including permitted successors) under the American Guaranty to pay principal, interest, purchase price and premium on the Bonds and (ii) AAG (including permitted successors) under the AAG Guaranty to pay principal, interest, purchase price and premium on the Bonds; provided that the aggregate principal amount of all Bonds (including Additional Bonds) issued and Outstanding under the Indenture and secured by the Leasehold Mortgage at any particular time shall be limited to a maximum amount of $2,000,000,000 or, if American elects to perform the Expanded Terminal Work, a maximum amount of $2,300,000,000.

*Automatic Termination.* The Leasehold Mortgage and the Foreclosure Rights will automatically terminate upon the earliest to occur of:

(a) the expiration, surrender or termination of the Basic Lease;

(b) the expiration, surrender or termination of the Port Authority Lease, except that the Leasehold Mortgage and the Foreclosure Rights (but only if the Leasehold Mortgage has not terminated pursuant to any of the provisions of the Port Authority Lease described in the immediately preceding paragraph (a) of this subheading or in the immediately succeeding paragraphs (c) through (j) of this subheading) will not terminate solely due to a deemed termination of the Port Authority Lease solely due to the occurrence of a Triggering Event;

(c) the termination of the consent granted under the Port Authority Consent as to the Leasehold Mortgage (see "APPENDIX G—SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT—Summary of Certain Provisions of the Port Authority Consent— *Termination of the Port Authority Consent with Respect to the Leasehold Mortgage);*

(d) the termination, expiration or surrender (including, without limitation, discharge or release) of both of (i) the American Guaranty (except that if payment obligations of American (including its permitted successors under the American Guaranty, provided each such permitted successor is then the lessee under the Port Authority Lease) thereunder with respect to the payment of principal, interest, or premium on the Bonds remain Outstanding and unpaid, then upon the date when there are no such payment obligations remaining Outstanding and unpaid); and (ii) the AAG Guaranty (except that if payment obligations of AAG (including its permitted successors under the AAG Guaranty) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining Outstanding and unpaid);

(e) the date on which no Bonds are Outstanding;

(f) the expiration of the Foreclosure Election Period (as defined below) without the timely exercise by the Leasehold Mortgagee of its election to exercise its Foreclosure Rights in accordance with the terms set forth in Section 92;

(g) the date of any written notice given by the Leasehold Mortgagee stating that it will not exercise its Foreclosure Rights;

(h) the effective date of the letting, pursuant to Section 92, of the Premises (whether for the full term of the Port Authority Lease or otherwise) to an Approved Successor Lessee, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Foreclosure Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of the Lease Assignment/Assumption Commencement Date;

(i) the Lease Assignment/Assumption Commencement Date;

(j) the expiration or earlier termination or cancellation of the Foreclosure Period; and

(k) December 31, 2036.

The Leasehold Mortgagee may not assign or transfer the Leasehold Mortgage to any person other than a successor trustee. Each successor trustee will be obligated to hold the Leasehold Mortgage subject to all the terms and provisions of the relevant section of the Port Authority Lease as if it were the original Leasehold Mortgagee. The rights of the Leasehold Mortgagee, as leasehold mortgagee, are as specified in the Leasehold Mortgage and the Port Authority Lease and are subject to the terms, covenants, conditions and provisions set forth in the Port Authority Lease and the Port Authority Consent.

Until the Leasehold Mortgage has terminated, without the prior written consent of the Leasehold Mortgagee, (a) no amendment may be made to Section 92 of the Port Authority Lease; and (b) no amendment may be made to the Port Authority Lease that affects only an Approved Successor Lessee, without affecting American.

Neither an Approved Successor Lessee nor any other person purchasing or succeeding to the leasehold under the Port Authority Lease has any right to pledge or mortgage the leasehold under the Port Authority Lease or any portion of the Premises.

The Leasehold Mortgagee does not have any right in or to the occupancy or use of the Premises except to the extent necessary to cure any default by American under the Port Authority Lease or fulfill the Leasehold Mortgagee's Foreclosure Period Obligations.

*Election to Exercise Foreclosure Rights.* The Port Authority will send to the Leasehold Mortgagee a copy of each notice of default given under Section 20 of the Port Authority Lease at the same time as such notice is sent to American. The Leasehold Mortgagee may cure any default with respect to the Premises as if, and with the same force and effect, as though cured by American.

If the Port Authority elects to terminate the letting of the Premises under the Port Authority Lease, then the Port Authority shall at the same time (the "*Notice of Termination Service Date*") send a copy of the written notice of such termination (the "*Notice of Termination*") to the Leasehold Mortgagee. The Notice of Termination shall specify the effective time and date of such termination, which date must not be before the 30th day following the Notice of Termination Service Date, subject to extension as provided in the Port Authority Lease. The serving of the Notice of Termination on the Leasehold Mortgagee shall trigger the Foreclosure Rights and the period during-which the Leasehold Mortgagee must elect whether to exercise the Foreclosure Rights (the "*Foreclosure Election Period*") unless the Leasehold Mortgagee has previously exercised its Foreclosure Rights based on a Bonds Default, a Bankruptcy Rejection Date or a Triggering Event Termination Date (each as defined below).

The Leasehold Mortgagee has the right to extend the Foreclosure Election Period for an additional 150-day period beyond the original 30 days following the Notice of Termination Service Date (the "*Foreclosure Election Expiration Date*"); provided, however, during the pendency of any Company Bankruptcy, the counting of days during the Foreclosure Election Period will be tolled until the earlier of the conclusion of the Company Bankruptcy or a Bankruptcy Rejection Date; provided further, that in the event of such tolling, the Foreclosure Election Expiration Date will not be less than 30 days following the conclusion of such Company Bankruptcy. Under certain circumstances the Foreclosure Election Period will either be deemed to commence on a date other than the Notice of Termination Service Date or not be required. Upon the occurrence of a Company Bankruptcy (as defined below), the Foreclosure Election Period will be deemed to commence on the Bankruptcy Rejection Date. If either the Port Authority or American elects to terminate the Port Authority Lease during any period which the Port Authority Lease is a month-to-month lease due to occurrence of a Triggering Event, the Foreclosure Election Period will be deemed to occur on the date of delivery of the applicable party's notice of termination (the "*Triggering Event Termination Date*"). Prior to the end of the Foreclosure Election Period, the Leasehold Mortgagee must affirmatively elect whether it will exercise its Foreclosure Rights or its right to foreclose on the Leasehold Mortgage or have the Port Authority Lease assigned to an Approved Successor Lessee. In the event of a Bonds Default, the Leasehold Mortgagee may deliver a notice to the Port Authority certifying that a Bonds Default has occurred and is continuing and stating the Leasehold Mortgagee's affirmative election to exercise the Foreclosure Rights (a "*Bonds Default Foreclosure Election Notice*"). In the event the Leasehold Mortgagee delivers such Bonds Default Foreclosure Election Notice, such notice will be deemed to be given prior to the Foreclosure Election Expiration Date.

A "*Bonds Default"* is defined as either (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an event of default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to The payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an event of default under and as defined in the Indenture, and an event of default under the Leasehold Mortgage, giving the Leasehold Mortgagee the right to foreclose the Leasehold Mortgage.

A "*Bankruptcy Rejection Date"* is defined as the later of (x) the date set forth in the final, non-appealable order of the relevant bankruptcy court as the effective date of the rejection by American of the Port Authority Lease by American and (y)the actual date such order by the relevant bankruptcy court becomes final and non-appealable.

*Foreclosure Period.* The Foreclosure Period will commence. upon the delivery by the Leasehold Mortgagee to the Port Authority, of the Foreclosure Election Notice and the simultaneous payment of the Leasehold Mortgagee's Foreclosure Period Commencement Payments (the date of such timely service of notice and payment, the "*Foreclosure Election Notice Service Date"),* and will expire on the earliest to occur of (w) the 1,095th consecutive day following the Foreclosure Election Notice Service Date, (x) the Lease Assignment/Assumption Commencement Date, (y) the transfer of title of American's leasehold interest in the Premises pursuant to an issuance of a final judgment of foreclosure by a court of competent jurisdiction and (z) any termination or expiration of the Leasehold Mortgage (the foregoing being subject to the fulfillment by the

Leasehold Mortgagee of the Leasehold Mortgagee's Foreclosure Period Obligations (as defined below) and certain provisions which toll or suspend the running of the Foreclosure Period). The *"Leasehold Mortgagee's Foreclosure Period Commencement Payments"* means all amounts due and owing to the Port Authority under the Port Authority Lease which have accrued for any and all periods up to the Foreclosure Election Notice Service Date to the extent such amounts have not been paid prior to the commencement of the Foreclosure Period. In the event of the failure of the Leasehold Mortgagee to exercise its Foreclosure Rights by the timely service of its Foreclosure Election Notice and the payment to the Port Authority of the Leasehold Mortgagee's Foreclosure Period Commencement Payments in accordance with the Port Authority Lease, the Port Authority Lease and the letting of the Premises will' be deemed terminated, and the Port Authority, in addition to pursuing any or all of its rights and remedies under the Port Authority Lease, or otherwise, will be entitled to elect to use, alter or demolish any of the improvements on the Premises free of any claim, right or interest of American or the Leasehold Mortgage.

*Foreclosure Obligations.* After the initial commencement of the Foreclosure Period, the Leasehold Mortgagee must fulfill all of the following obligations in order to continue the Foreclosure Period (the *"Leasehold Mortgagee's Foreclosure Period Obligations"):*

(a) The Leasehold Mortgagee must pay to the Port Authority the Leasehold Mortgagee's Foreclosure Period Current Basis Payments (as defined below) on a current basis, as and when due under the Port Authority Lease, to the extent such amounts are not paid by American. The *"Leasehold Mortgagee's Foreclosure Period Current Basis Payments"* means all amounts due and owing to the Port Authority under the Port Authority Lease on a current basis as the same become due and payable to the Port Authority under the Port Authority Lease commencing as of the first day of, the Foreclosure Period, to the extent such amounts have not been paid.

(b) At all times during the Foreclosure Period, the Leasehold Mortgagee must use all reasonable efforts to preserve the value of the Premises until the Leasehold Mortgagee has control of the Premises, and thereafter will fulfill all obligations under the Port Authority Lease with respect to the preservation of the Premises.

(c) The Leasehold Mortgagee must (to the extent permitted by law) promptly and diligently and in good faith commence and continue and seek to complete proceedings to foreclose upon the Leasehold Mortgage and, in the event American fails to vacate the Premises, seek eviction of American therefrom.

(d) The Leasehold Mortgagee must promptly deliver, upon the Port Authority's request, a certified statement as to the status of the proceedings to foreclose upon the Leasehold Mortgage.

The failure of the Leasehold Mortgagee to (i) pay the Leasehold Mortgagee's Foreclosure Period Current Basis Payments when due, and such failure is not cured within 20 days after notice from the Port Authority, or.(ii) perform any of the other Leasehold Mortgagee Foreclosure Period Obligations, and such failure is not cured within 30 days after notice from the Port Authority (or such longer period if fulfillment requires activity over a period of time, so long as the Leasehold Mortgagee shall have commenced cure within the 30-day period and continues such cure without interruption except for causes beyond its control) shall result in the automatic termination of the Foreclosure Rights (and, of any Foreclosure Period) and of the Leasehold Mortgage without any further act on the part of the Port Authority and any Notice of Termination previously stayed shall become fully effective.

*Termination of Foreclosure Rights on Expiration of Foreclosure Period.* Upon the expiration of the Foreclosure Period, if there has not been (x) a transfer of title of American's leasehold interest in the Premises pursuant to a final judgment of foreclosure or (y) an assignment-in-lieu-of-foreclosure of American's leasehold interest in the Premises, then the Foreclosure Rights and the Leasehold Mortgage will automatically terminate. Any Notice of Termination previously stayed will become fully effective and the Port Authority Lease will be deemed terminated.

*Company Bankruptcy.* In the event of the occurrence of either the filing by American of a voluntary petition under the Bankruptcy Code or the filing of an involuntary petition against American under the Bankruptcy Code, and the pendency of proceedings pursuant thereto *(a "Company Bankruptcy"),* the Port Authority Lease provides for suspension of the Foreclosure Period.

*Port Authority Right to Pay Off Bonds.* The Port Authority has the right to request a notice from the Leasehold Mortgagee stating the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest accruing from and after the date of such notice. After a Leasehold Mortgage Default, the Port Authority may terminate the Leasehold Mortgage and the Foreclosure Rights by tendering to the Leasehold Mortgagee the total amount specified in such notice, including the per diem interest through the date of such tender.

*Successor Lessee.* No entity, party or person other than an Approved Successor Lessee will be entitled to become the owner of or acquire any interest in the Port Authority Lease pursuant to a judgment of foreclosure and sale or as a result of an assignment in lieu of foreclosure or as a result of the exercise by the Leasehold Mortgagee of its Foreclosure Rights or otherwise; and any entity, person or party proposed to become an Approved Successor Lessee (a *"Proposed Successor Lessee")* will become an Approved Successor Lessee only if the Leasehold Mortgagee duly exercises its Foreclosure Rights, the Proposed Successor Lessee meets all of the requirements of an Approved Successor Lessee (see definition) and the Port Authority approves of such Proposed Successor Lessee. In determining whether to approve or disapprove a Proposed Successor Lessee, the Port Authority will consider all relevant factors, including but not limited to, the following factors, but the Port Authority has agreed to analyze all such factors in a reasonable manner:

(a) whether the Proposed Successor Lessee will be able to fulfill all of American's obligations under the Port Authority Lease with respect to the Premises throughout the balance of the term of the letting or such lesser term as it proposes to lease;

(b) whether the financial standing of the Proposed Successor Lessee as of the effective date of its acquisition of the leasehold under the Port Authority Lease is sufficient, in the opinion of the Port Authority, to assure the Port Authority that the Proposed Successor Lessee will be able to fulfill all of American's obligations with respect to the Premises under the Port Authority Lease throughout the balance of the term of the letting of the Premises or such lesser term as it proposes to lease (which determination may require the submission to the Port Authority of such security or guaranty in such form and amount as the Port Authority may find satisfactory and submission of such financial statements and other financial information as the Port Authority may require);

(c) whether the Proposed Successor Lessee and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the Proposed Successor Lessee, if said Proposed Successor Lessee is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest (a *"Related Person")* has as of the date of the proposed assignment/assumption a good reputation for integrity and financial responsibility, and has not been convicted of or is not under current indictment for any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff);

(d) whether the Port Authority has had any Unfavorable Experience (as defined below) with the Proposed Successor Lessee, or any Related Person. *"Unfavorable Experience"* means any one or more of the following: (A) a material default by such Proposed Successor Lessee or any such Related Person of any obligation (monetary or non-monetary) to the Port Authority; (B) any assertion made by such Proposed Successor Lessee or any such Related Person against the Port Authority in any frivolous, false, malicious, or unsupportable claim, demand or allegation or suit or proceeding; (C) any act or omission of such Proposed Successor Lessee or any such Related Person causing or resulting in any loss, damage or injury to the Port Authority or the imposition or threatened imposition of any fine or penalty on the Port Authority or the commencement or threatened commencement of any action, suit or proceeding against the Port Authority; (D) any failure or refusal of such Proposed Successor Lessee or any such Related Person to comply with any law, governmental order, directive, ordinance or requirement, including without limitation, environmental requirements, at any Port Authority facility; (E) any failure to comply with, or breach of, the Port Authority's Code of Ethics and Financial Disclosure by such Proposed Successor Lessee or any such Related Person; or (F) any breach by such Proposed Successor Lessee or any such Related Person of any fiduciary obligation, trust, confidence or other duty to the Port Authority or of any confidentiality agreement with the Port Authority; and

(e) whether the Proposed Successor Lessee or any Related Person is in conflict of interest, as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed assignment.

The Proposed Successor Lessee also must agree in the Lease Assignment/Assumption and Consent Agreement to pay all of the rentals, fees, charges and other amounts payable under and in accordance with the Port Authority Lease. The Proposed Successor Lessee must use and occupy the Premises for the purposes set forth in the Port Authority Lease and agree in the Lease Assignment/Assumption and Consent Agreement to use and occupy the Premises in accordance with all of the terms and conditions of the Port Authority Lease.

No Proposed Successor Lessee shall become an Approved Successor Lessee, or have any right to possess, use or occupy the Premises, unless and until an assignment and assumption agreement, in the event of an assignment in lieu of foreclosure, or an assumption agreement, in the event of a foreclosure, whereby the Proposed Successor Lessee, effective on a date prior to or simultaneously with the expiration of the Foreclosure Period, assumes the obligations of American as if it were the original tenant under the Port Authority Lease, has been executed by the Port Authority, American (except in the case of an assumption agreement, in the event of a foreclosure, in which case the signature of American shall not be required), the Proposed Successor Lessee and the Leasehold Mortgagee (said fully executed agreement in either case, the *"Lease Assignment/Assumption and Consent Agreement").*

**Parcel M**

Since January 1, 2008, the Port Authority had has the right to terminate without cause the Port Authority Lease with respect to a certain parcel of the Premises designated as "Parcel M" at any time on 90 days' prior notice to American; provided, this right of termination will be suspended commencing on the date American delivers notice to the Port Authority of its election to perform the Expanded Terminal Work and for so long thereafter as American diligently and in good faith commences and continues the Expanded Terminal Work. From and after the date American completes the Expanded Terminal Work in accordance with the terms of the Port Authority Lease, the Port Authority will no longer have the right to terminate the Port Authority Lease with respect to Parcel M.

**Insurance**

American has agreed to keep insured, to the replacement value thereof, all buildings, structures, improvements, installments, facilities and fixtures now or in the future located on the Premises against all risks of physical loss or damage (including flood and earthquake risks), to the extent set forth in the Port Authority Lease.

**Damage to or Destruction of the Premises**

If all, or any part of, the Premises is damaged by fire, the elements, the public enemy or other casualty, American has agreed to promptly remove all debris resulting from such damage from the Premises, and to the extent, if any, that the removal of debris under such circumstances is covered by insurance, such insurance proceeds will be made available to American and American will use such proceeds for such purpose.

If all, or any part of, the Premises is damaged by fire, the elements, the public enemy or other casualty, but not rendered untenantable or unusable for a period of 90 days, American has agreed to repair the Premises 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 American and if such damage is covered by insurance the proceeds of such insurance will be made available to and be used by American for such repair.

If all, or any part of, the Premises is destroyed or so damaged by fire, the elements, the public enemy or other casualty as to be untenantable or unusable for a period of 90 days, or if within 90 days after such damage or destruction American notifies the Port Authority in writing that in its opinion said Premises will be untenantable or unusable for a period of 90 days, then American shall proceed with due diligence to make the necessary repairs or replacements to restore such Premises in accordance with the plans and specifications for the Premises as the same

existed prior to such damage or destruction; or, with the approval of the Port Authority, make such other repairs, replacements or changes as may be desired by American. If such destruction or damage was covered by insurance, the proceeds of such insurance shall be made available to and used by American for such restoration.

The obligation of American to repair or replace shall be limited to the amount of the insurance proceeds, *provided* American has carried insurance to the extent and in accordance with the Port Authority Lease. Any excess of the proceeds of insurance over the costs of the restoration shall be retained by the Port Authority.

**Indemnity and Liability Insurance**

American has agreed to indemnify and hold harmless the Port Authority, its commissioners, officers, employees and representatives from and against all claims and demands of third persons (including reimbursement of the Port Authority's costs and expenses, including legal expenses) including, but not limited to, claims and demands for death or personal injuries, or for property damages, arising out of a breach or default of any term or provision of the Port Authority Lease, or out of the use or occupancy of the Premises by American or by others with its consent, or out of any other acts or omissions of American, its officers, employees, guests, representatives, customers, contractors, invitees or business visitors on the Premises; or arising out of the acts or omissions of American, its officers and employees elsewhere at the Airport (excepting only 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.

American has agreed to maintain commercial general liability insurance, including premises-operations, products, completed operations, liquor liability and covering bodily injury, including death, and property damage liability, broadened to include, or equivalent separate policies covering, aircraft liability; commercial automobile liability insurance covering owned, non-owned and hired vehicles; environmental impairment liability insurance covering both gradual and sudden and accidental occurrences; and other liability insurance coverage, all with minimum limits, endorsements, limits on exclusions and other requirements as set forth in the Port Authority Lease.

**Condemnation**

Upon the acquisition (a *"Taking") by* condemnation or the exercise of the power of eminent domain by any entity having a superior power of eminent domain of a permanent interest in all of the Premises, the Port Authority Lease will terminate upon the date of such Taking. If the termination of the Port Authority Lease is as a result of a Taking that covers all or substantially all of the Airport, then the Port Authority will pay to American American's unamortized redevelopment investment, if any, in the Premises. The foregoing payment obligation of the Port Authority is limited (a) to the extent condemnation proceeds are available to the Port Authority after reimbursing itself for its interests so taken and (b) to a proportionate share (as determined by the Port Authority after consultation with all of the Port Authority's tenants at the Airport) of the remaining condemnation proceeds.

If the Taking is permanent and for less than the whole Premises, the Port Authority Lease will terminate only with respect to the portion of the Premises so taken and the rental will be abated accordingly. American must restore the remaining part of the Premises not so taken so the Premises will be a complete, operable, self-contained architectural unit. The Port Authority will make available for such restoration by American any proceeds paid in trust to the Port Authority by the City for the restoration of such improvements.

If the partial Taking is permanent and of a material part of the Premises or of the public landing area, then American and the Port Authority will each have the option to terminate the Port Authority Lease as to the portion of the Premises not taken. If the Port Authority exercises this option, the Port Authority has agreed to purchase from American American's leasehold interest in the Premises not taken for a consideration equal to the unamortized redevelopment investment, if any, of American in the Premises not taken.

In the event of a temporary Taking of all or a material part of the Premises, the Port Authority Lease will continue; provided American and the Port Authority will each have the option to suspend the term of the Port Authority Lease and the rentals for such portion not taken will abate for the period of such suspension. If the Port

Authority exercises this option, the Port Authority has agreed to purchase from American American's leasehold interest in the Premises not taken for the period of suspension for a. consideration equal to the unamortized redevelopment investment, if any, of American in the Premises not taken which is to be amortized over the period of such suspension.

**Environmental Obligations**

American is responsible at its sole cost and expense for complying with all Environmental Requirements with respect to the Premises (and the remediation of adjoining property to the extent any Hazardous Substances have migrated from the Premises to such adjoining property), except for Hazardous Substances in, on, under or about the Premises caused solely by the acts or omissions of the Port Authority after October 3, 2008. American will not be responsible for any Hazardous Substances in, on, under or about the Premises which American can prove occurred after American surrenders the Premises to the Port Authority and were not due to the acts or omissions of American.

Except to the extent arising out of or resulting from Hazardous Substances in, on, under or about the Premises caused solely by the acts or omissions of the Port Authority after October 3, 2008, American indemnifies the Port Authority, its commissioners, officers, employees and representatives from and against costs and expenses (including reimbursement of the Port Authority's costs and expenses, including legal expenses) incurred in connection with the defense of any and all past, present and future liabilities arising out of or resulting from the condition of the Premises, whether any aspect of such condition existed prior to American's letting under the Port Authority Lease or whether such condition resulted from the acts or omissions of American or the Port Authority or their respective contractors, or third persons or acts of God or public enemy or otherwise; provided however, if an indemnity claim is made by a third person against the Port Authority and such claim (i) is for the indemnification by the Port Authority of the fault of such third person, (ii) arises solely pursuant to a written agreement voluntarily entered into by the Port Authority with such third person after December 22, 2000 (a *"Voluntary Agreement"*) and (iii) other than the Voluntary Agreement, there is no obligation of the Port Authority to indemnify such third person for such claim, then American shall not be obligated to indemnify the Port Authority for such claim.

**Remedies**

American's obligations under the Port Authority Lease will survive a termination, cancellation or re-entry by the Port Authority and will remain in full force and effect for the full term of, or the letting under, the Port Authority Lease and the amount of damages or deficiency owed by American to the Port Authority shall be due and payable to the Port Authority to the same extent, at the same time and in the same manner as if no termination, cancellation, or re-entry had occurred. The Port Authority may maintain separate actions each month to recover the damage or deficiency then due or, at its option and at any time, may sue to recover the full deficiency less the proper discount, for the entire unexpired term.

The Port Authority, upon termination, cancellation or re-entry, may occupy the Premises or may relet the Premises, and has the right to permit any persons, firm or corporation to enter and use the Premises. Such reletting may be of only a part of the Premises or a part of the Premises together with other space, and for a period of time the same as or different from the balance of the term remaining under the Port Authority Lease and on terms and conditions the same as or different from those set forth in the Port Authority Lease. The Port Authority, upon termination, cancellation or re-entry, has the right to repair or to make, structural or other, changes in the Premises, including changes which alter the character of the Premises and the suitability of the Premises for American's purposes under the Port Authority Lease; without affecting, altering or diminishing the obligations of American under the Port Authority Lease.

## APPENDIX G

## SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT

*The following is a summary of certain provisions of the Port Authority Consent. This summary does not purport to be complete and reference is made to the Port Authority Consent for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Port Authority Consent and are included for ease of reference only.*

**Summary of Certain Provisions of the Port Authority Consent**

In connection with the issuance of the Bonds by the Issuer, American has requested the consent of the Port Authority to the Leasehold Mortgage. The Port Authority has agreed to give such consent under, and in accordance with the terms and provisions of, the Port Authority Consent.

*General*, The Port Authority Consent provides that:

(a) except as otherwise expressly set forth therein and described in paragraph (b) below, the fact that certain provisions of the Port Authority Consent and/or the Leasehold Mortgage refer to and/or incorporate the Port Authority Lease and/or provisions thereof will not limit or be deemed to have limited or in any way affected the rights and ability of American and the Port Authority to amend, supplement, delete or otherwise change the terms and provisions of the Port Authority Lease, and American and the Port Authority will be as free to amend, supplement, delete or otherwise change the terms and provisions of the Port Authority Lease or any of them as if the Port Authority Consent and the Financing Documents had never been entered into and the Bonds had never been issued;

(b) until the Leasehold Mortgage is terminated as provided in the Port Authority Consent and described below in this Appendix G under "—Summary of Certain Provisions of the Port Authority Consent—*Termination of the Port Authority Consent With Respect to Leasehold Mortgage":*

(i) no amendment may be made to Section 92 without the prior written consent of the Leasehold Mortgagee; and

(ii) no amendment which only affects an Approved Successor Lessee, without affecting American, may be made to the Port Authority Lease without the prior written consent of the Leasehold Mortgagee;

(c) except as otherwise expressly set forth in Section 92, neither the Port Authority Consent nor anything contained therein nor the Financing Documents nor anything contained therein will limit or affect or be deemed to have limited or affected the right of the Port Authority to terminate the Port Authority Lease;

(d) neither the Port Authority Consent nor anything contained therein nor the Financing Transaction will be or be deemed to be a waiver by or-consent of the Port Authority to any breach or default of the Port Authority Lease; and

(e) neither the Port Authority Consent nor anything contained therein, nor the Financing Documents, nor the Financing Transaction, nor the expenditure of monies or Bond proceeds at or on the Premises, will grant or be deemed to have granted any rights whatsoever in American or any of the parties related to the Bond financing to an extension or renewal of the Port Authority Lease beyond the expiration date of the Port Authority Lease or such further expiration date as the Port Authority and American may agree upon, or to lease, use or occupy the Premises or any part thereof after the expiration or earlier termination or surrender of the Port Authority Lease, or to be reimbursed by the Port Authority for American's cost of completing any construction work or other capital investment at the Premises.

*Termination of the Port Authority Consent With Respect to Leasehold Mortgage.* The Port Authority Consent provides that the consent granted thereunder as to the Leasehold Mortgage and the Foreclosure Rights associated therewith will become null and void, and the consent granted thereunder as to the Leasehold Mortgage will automatically terminate and end, without notice to American or any of the Trustee, the Issuer, AAG or any Bondholder, upon the earliest to occur of the following:

(a) the termination of the Basic Lease;

(b) the expiration, surrender or termination of the Port Authority Lease, except that the Leasehold Mortgage and the Foreclosure Rights (but only if the Leasehold Mortgage has not terminated pursuant to any of the provisions of the Port Authority Consent described in the immediately preceding paragraph (a) of this subheading or in the immediately succeeding paragraphs (c) through (i) of this subheading) will not terminate solely due to a deemed termination of the Port Authority Lease solely due to the occurrence of a Triggering Event;

(c) the termination, expiration or surrender (including without limitation discharge or release) of both of (i) the American Guaranty (except that if payment obligations of American (including its permitted successors as the guarantor thereunder provided each such permitted successor is then the lessee under the Port Authority Lease), thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (ii) the AAG Guaranty (except that if payment obligations of AAG (including its permitted successors as the guarantor thereunder) thereunder with respect to , the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid);

(d) the date on which no Bonds are Outstanding;

(e) the expiration of the Foreclosure Election Period without the timely and effective exercise by the Leasehold Mortgagee of its election to exercise its Foreclosure Rights by service of its Foreclosure Election Notice on the Port Authority in accordance with the terms set forth in Section 92;

(f) the date of any written notice given by the Leasehold Mortgagee stating its election not to exercise its Foreclosure Rights under the Leasehold Mortgage;

(g) the effective date of the letting, pursuant to Section 92, of the Premises (whether for the full term of the Port Authority Lease or otherwise) to an Approved Successor Lessee, whether resulting from a foreclosure of the Leasehold Mortgage, the exercise by the Leasehold Mortgagee of its Foreclosure Rights, an assignment in lieu of foreclosure or otherwise without the occurrence of the Lease Assignment/Assumption Commencement Date;

(h) the Lease Assignment/Assumption Commencement Date; and

(i) the expiration or earlier termination or cancellation of the Foreclosure Period.

*Defaults.* The Port Authority Consent provides that any breach or default of any of the terms and conditions of the Port Authority Consent by American constitutes a material breach of the Port Authority Lease and permits the Port Authority to terminate the Port Authority Lease in accordance with its terms, unless American has cured such breach or default within 30 days after receipt of notice of default thereunder from the Port Authority (except where fulfillment of its obligations requires activity over a period of time, and American has 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).

Notwithstanding the foregoing, no violation of any covenant or condition contained in the Port Authority Consent by any party thereto shall in any way affect, invalidate, impair or (except as specifically set forth above under *"—Termination of the Port Authority Consent with Respect to Leasehold Mortgage")* terminate the Leasehold Mortgage or affect the lien thereof.

The Port Authority acknowledges and agrees that:

(a) The ATEIRA and, if executed, the Reletting Agreement, are contracts between the Port Authority and the Leasehold Mortgagee, and, as such, are independent of the Port Authority Consent in all respects and do not require the consent of the Port Authority and no provision thereof shall in any respect limit or affect the rights of the Leasehold Mortgagee under the ATEIRA or, if executed, the Reletting Agreement; and

(b) The termination of the Port Authority Consent, or a default or other violation of the Port Authority Consent by any party thereto, shall not in any respect limit or affect the rights of the Leasehold Mortgagee under the ATEIRA or, if executed, the Reletting Agreement.

## APPENDIX H

## SUMMARY OF CERTAIN PROVISIONS OF THE LEASEHOLD MORTGAGE

*The following is a summary of certain provisions of the Leasehold Mortgage. This summary does not purport to be complete and reference is made to the Leasehold Mortgage for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Leasehold Mortgage and are included for ease of reference only.*

**Summary of Certain Provisions of the Leasehold Mortgage**

*Subject to Port Authority Lease and Consent*. The Leasehold Mortgage will be given in accordance with, and pursuant to the Port Authority Lease, including without limitation Section 92 and the Port Authority Consent.

*Mortgaged Property.* As security for the payment of its obligations under the American Guaranty and AAG's obligations under the AAG Guaranty, American will execute, deliver and record the Leasehold Mortgage, granting to the Trustee, as Leasehold Mortgagee, and the Issuer as mortgagee, a lien on American's interest in the Mortgaged Property. The Issuer will assign its interest in the Leasehold Mortgage to the Trustee, as Leasehold Mortgagee. The "*Mortgaged Property*" will consist of (a) the leasehold estate held by American in the Premises as the lessee under, and created by, the Port Authority Lease (including all leasehold and tenancy rights which American may have in and to the Premises pursuant to holdover, month-to-month and statutory tenancies arising out of the Port Authority Lease), (b) the Financed Equipment, (c) all modifications, extensions and renewals of the Port Authority Lease (to the extent it applies to the Premises) and (d) to the extent not otherwise included, all proceeds and products of any of the foregoing, including any award, compensation or insurance payment to which American may become entitled (and which are not either (i) required to be used for the rebuilding of the Premises or (ii) required to be paid to or retained by the landlord under the Port Authority Lease or otherwise pursuant to the Port Authority Lease or paid to or retained by the City pursuant to the Basic Lease or the Port Authority Lease) as a result of any casualty, condemnation, or other event, and all other rents, issues and profits from any of the foregoing.

*Leasehold Mortgage Default.* The term "*Leasehold Mortgage Default*" has the meaning set forth herein under "SECURITY FOR THE SERIES 2016 BONDS—The Leasehold Mortgage, the ATEIRA and the Reletting Agreement—*Foreclosure of Leasehold Mortgage.*"

*Remedies and Rights.* At any time while a Leasehold Mortgage Default remains uncured, at the option of the Leasehold Mortgagee, to be exercised in accordance with the applicable provisions of the Indenture and Section 92, the Leasehold Mortgagee may pursue the following remedies:

> *Foreclosure.* The Leasehold Mortgagee may institute any one or more actions of mortgage foreclosure against the Mortgaged Property, or take such other action at law or in equity for the enforcement of the Leasehold Mortgage and realization on the security therein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for payment of the obligations due under the Guaranties which are secured by the Leasehold Mortgage (the "*Secured Obligations*"), together with interest from the date of default at the rate then in effect under the Indenture, and all costs of suit and attorneys' fees and expenses. American, for itself and anyone claiming by, through or under it, agrees that the Leasehold Mortgagee shall in no manner, in law or in equity, be limited, except as therein provided and as provided in Section 92, in the exercise of its rights in the Mortgaged Property or in any other security thereunder or otherwise appertaining to the Secured Obligations, whether by any statute, rule or precedent which may otherwise require said security to be marshaled in any manner, and American, to the extent permitted by law, for itself and others as described above, expressly waives and releases any right to or benefit thereof. The failure to make any tenant or subtenant a defendant to a foreclosure proceeding shall not be asserted by American as a defense in any proceeding instituted by the Leasehold Mortgagee to collect the Secured Obligations or any deficiency remaining unpaid after the foreclosure sale of the Mortgaged Property.

*Excess Monies.* The Leasehold Mortgagee may apply on account of the Secured Obligations any unexpended monies still retained by the Leasehold Mortgagee that were paid by American to the Leasehold Mortgagee or the Trustee in accordance with the Indenture (A) for the payment of, or as security for the payment of, taxes, assessments or other governmental charges, insurance premiums or any other charges or (B) to secure the performance of some act by American.

*Remedies under Section 92*. The Leasehold Mortgagee may pursue any remedies set forth in Section 92, including its right to relet the Premises to an Approved Successor Lessee, in accordance with and subject to Section 92.

*Other Remedies.* The Leasehold Mortgagee shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by American and/or AAG under the terms of the Guaranties, as they become due, without regard to whether or not any other liabilities shall be due, and without prejudice to the right of the Leasehold Mortgagee thereafter to bring an action of mortgage foreclosure, or any other action, for any default by American existing at the time the earlier action was commenced.

*Performance of Obligations.* American will perform all of its obligations under the Port Authority Lease (including without limitation its obligations under Section 92) and the Port Authority Consent notwithstanding the existence of the Leasehold Mortgage. American shall not modify, amend, supplement or extend Section 92, nor enter into any amendment of the Port Authority Lease which shall only affect an Approved Successor Lessee without affecting the originally named mortgagor under the Leasehold Mortgage, without the prior consent of the Leasehold Mortgagee in each case. American shall not enter into any termination agreement with respect to the Port Authority Lease, surrender the leasehold estate created by the Port Authority Lease nor abandon the Premises.

*Release of Part of Mortgaged Property.* Upon the fulfillment of all conditions to the effectiveness of any Section 45 Gate Termination Date, Section 46 Gate Termination Date or Parcel M Surrender Date (including, without limitation, payment to the Leasehold Mortgagee of all sums required to be paid in connection therewith by the Port Authority), then the portion of the Premises which is no longer subject to the Port Authority Lease shall automatically be released from the lien of the Leasehold Mortgage. American agrees that such portions of the Premises may only be eliminated from the Port Authority Lease and released from this Leasehold Mortgage in accordance with the provisions described in this paragraph. If the Leasehold Mortgagee and the Port Authority wish to eliminate certain portions of the Premises from the Port Authority Lease, such property may be eliminated from the Port Authority Lease and released from the Leasehold Mortgage in accordance with the provisions of the Leasehold Mortgage described in the two immediately succeeding paragraphs.

A "*Minor Release*" is a release of part of the Premises with respect to which, together with the parts of the Premises previously released, American certifies will not have a material adverse effect on the use of the remaining Premises as a passenger terminal facility comparable to the passenger terminal facility on the Premises immediately prior to such release. A Minor Release from the lien of the Leasehold Mortgage will be permitted only if (a) American has provided the Leasehold Mortgagee and the Issuer with a certificate executed by an officer or director of American setting forth that the proposed Minor Release meets the conditions described in the immediately preceding sentence and clauses (b) and (c) of this paragraph, (b) at the time of such Minor Release there exists no uncured Leasehold Mortgage Default or event which, with the passage of time or the giving of notice or both, would constitute a Leasehold Mortgage Default, (c) simultaneously with such release, the parcel which is the subject of such Minor Release shall be eliminated from the Port Authority Lease and (d) American shall have delivered to the Leasehold Mortgagee a Favorable Opinion of Bond Counsel.

A "*Major Release*" (any proposed release that is not a Minor Release) of a part of the Premises from the lien of the Leasehold Mortgage will be permitted only if American shall cause the conditions applicable to a Minor Release to be satisfied (other than the delivery of certification described in the first sentence of the immediately preceding paragraph), and shall pay to the Leasehold Mortgagee a release price equal to the amount that bears the same ratio to the then outstanding principal amount of the Bonds secured by the Leasehold Mortgage as the Allocable Revenues bear to the Total Revenues (each as defined below in this paragraph). American shall provide to the Trustee an appraisal, engineering or similar consultant's report prepared by an independent nationally recognized airport engineering, traffic or consulting firm selected by American which shall specify the portion of the

total annual revenues (the "*Total Revenues*") attributable to the Premises which are reasonably estimated to be allocable to the proposed released property (the "*Allocable Revenues*"). In preparing such report, such consultant may look at historic or projected revenue amounts, or both, in its professional judgment.

*Creation of Liens and Indebtedness; Sale of Mortgaged Property.* American shall not (x) create or suffer to be created any lien or charge upon or pledge of the Mortgaged Property except the lien, charge and pledge created by the Leasehold Mortgage and Permitted Encumbrances, (y) incur any indebtedness or issue any evidences of indebtedness, other than the American Guaranty, secured by a lien on or pledge of the Mortgaged Property or (z) sell, convey, transfer, lease, mortgage or encumber the Premises or any part thereof except as specifically permitted under the Port Authority Lease, the Port Authority Consent, the Loan Agreement, the Indenture and the Leasehold Mortgage, so long as the Leasehold Mortgage is in effect.

*Defense of Leasehold Estate.* At the written request of the Leasehold Mortgagee, American, on behalf of the Bondholders and in accordance with the terms of the Indenture, shall defend the leasehold estate of American to the Mortgaged Property and every part thereof for the benefit of the Bondholders, and American agrees to warrant and defend such leasehold estate against the claims and demands of all Persons whomsoever.

**APPENDIX I**

# SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TO ENTER INTO RELETTING AGREEMENT AND THE RELETTING AGREEMENT

*The following is a summary of certain provisions of the Agreement to Enter Into Reletting Agreement and the Reletting Agreement. This summary does not purport to be complete and reference is made to the Agreement to Enter Into Reletting Agreement and the Reletting Agreement, as applicable, for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Agreement to Enter Into Reletting Agreement or the Reletting Agreement and are included for ease of reference only.*

**Summary of Certain Provisions of the Agreement to Enter Into Reletting Agreement**

*Leasehold Mortgagee's Election to Exercise Reletting Rights upon Bankruptcy Rejection.* If a termination of the Port Authority Lease (a "*Termination*") occurs as a result of a Rejection, then, whether or not (x) a Foreclosure Election Period had commenced prior to the commencement of the bankruptcy proceedings with respect to American (the "*Bankruptcy*") or (y) the Leasehold Mortgagee had elected to exercise its Foreclosure Rights prior to the commencement of the Bankruptcy, if the Leasehold Mortgagee desires to exercise its Reletting Rights by requiring the Port Authority to execute the Reletting Agreement the Leasehold Mortgagee shall, on or prior to the termination of the Reletting Election Period (as it may be extended), (i) give to the Port Authority a Reletting Election Notice and (ii) simultaneously pay to the Port Authority the Leasehold Mortgagee's Commencement Payment Obligations.

*Leasehold Mortgagee's Election to Exercise Reletting Rights upon Termination During Month-to-Month Tenancy.* If a Termination occurs during the period that the Port Authority Lease is a month-to-month lease as a result of the occurrence of a Triggering Event, then, if the Leasehold Mortgagee desires to exercise its Reletting Rights by requiring the Port Authority to execute the Reletting Agreement the Leasehold Mortgagee shall, on or prior to the termination of the Reletting Election Period (as it may be extended), (i) give to the Port Authority a Reletting Election Notice and (ii) simultaneously pay to the Port Authority the Leasehold Mortgagee's Commencement Payment Obligations.

By giving notice to the Port Authority not later than 11:59 p.m. New York City time on the 30th consecutive day after the Reletting Election Commencement Date, the Leasehold Mortgagee will have the one-time right to extend the Reletting Election Period to the date that is the 150th day after the Reletting Election Commencement Date.

*Execution of Reletting Agreement.* If the Termination is not the result of a Rejection or a termination during the period that the Port Authority Lease is a month-to-month lease as a result of the occurrence of a Triggering Event, the Port Authority will execute the Reletting Agreement within 30 days of a written request of the Leasehold Mortgagee to do so, *provided* that the Leasehold Mortgagee has paid all the Leasehold Mortgagee's Foreclosure Period Current Basis Payments then due. If the Termination is the result of a Rejection or a termination during the period that the Port Authority Lease is a month-to-month lease as a result of the occurrence of a Triggering Event, the Port Authority will execute the Reletting Agreement within 30 days of a written request of the Leasehold Mortgagee to do so, provided that the Leasehold Mortgagee has satisfied all of its obligations set forth in the preceding paragraphs.

*Port Authority Right of Termination.* The Port Authority has the right at any time after a Termination to elect to terminate the ATEIRA by paying the Bond Payment Amount (defined below) to the Leasehold Mortgagee. The date such payment is made is referred to in the ATEIRA as the "*Bond Payment Date.*" If the Port Authority notifies the Leasehold Mortgagee that it is considering the exercise of its right, the Leasehold Mortgagee shall promptly notify the Port Authority in writing of the Bond Payment Amount, calculated as of the date or dates specified in such notice.

"*Bond Payment Amount*" means the principal amount of Bonds that are Outstanding on the Bond Payment Date, plus accrued and unpaid interest thereon to the Bond Payment Date. The Bond Payment Amount shall be paid

to the Leasehold Mortgagee on the Bond Payment Date in federal or other immediately available funds, If the Port Authority shall have paid the Bond Payment Amount as provided above, then on the Bond Payment Date the ATEIRA will terminate.

*Information Statements.* The Port Authority, not more than ten days after the Reletting Election Commencement Date, will provide to the Leasehold Mortgagee a statement setting forth the Leasehold Mortgagee's Commencement Payment Obligations and the Leasehold Mortgagee's Payment Obligations; *provided*, *however*, that such statement shall not be conclusive and shall not release or relieve the Leasehold Mortgagee from any amounts determined to be due for such period under the Reletting Agreement notwithstanding any failure to include amounts due and owing in said statement nor preclude the Port Authority from rendering a billing for the same.

*Termination.* All rights of the Leasehold Mortgagee under the ATEIRA will automatically terminate and end, and the ATEIRA will terminate, upon the date of the earliest to occur of the following: (i) the Leasehold Mortgage Termination Date (as defined in Section 92); (ii) the date specified in a written statement delivered to the Port Authority by the Leasehold Mortgagee electing to terminate the ATEIRA: (iii) the date that the Port Authority pays to the Leasehold Mortgagee the Bond Payment Amount; (iv) on the 91st day after Termination in the case of a Termination other than a Termination resulting from a Rejection or a Termination that occurs during the period that the Port Authority Lease is a month-to-month lease as a result of the occurrence of a Triggering Event, if the Leasehold Mortgagee has not requested in writing that the Port Authority execute the Reletting Agreement prior to such 91st day, or, in the case of a Termination resulting from a Rejection or a Termination that occurs during the period that the Port Authority Lease is a month-to-month lease as a result of the occurrence of a Triggering Event, on the 91st day after the end of the Reletting Election Period, if the Leasehold Mortgagee has not requested in writing that the Port Authority execute the Reletting Agreement prior to such 91st day; (v) the effective date of the termination, expiration or surrender (including without limitation discharge or release) of both of (x) the American Guaranty (except that if payment obligations of American (including its permitted successors pursuant to and under the American Guaranty as the Guarantor thereunder, provided each such permitted successor is then the lessee under the Port Authority Lease) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (y) the AAG Guaranty (except that if payment obligations of AAG (including its permitted successors pursuant to and under the AAG Guaranty as the Guarantor thereunder) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid); (vi) the date on which no Bonds will be Outstanding; and (vii) December 31, 2036.

*Assignment.* The ATEIRA may not be assigned by either party; *provided* that if the Port Authority assigns or otherwise transfers its interest in the Port Authority Lease to another entity, such entity must assume the obligations of the Port Authority under the ATEIRA. A successor to the Leasehold Mortgagee permitted by the Port Authority Consent will, without further action, become the Leasehold Mortgagee under the ATEIRA.

**Summary of Certain Provisions of the Reletting Agreement**

*Leasehold Mortgagee's Obligations.* Until the Reletting Agreement is terminated, the Leasehold Mortgagee covenants and agrees to: (i) pay to the Port Authority amounts equal to the Leasehold Mortgagee's Payment Obligations (other than Excluded Obligations) as and when the same would have become due and payable had the Port Authority Lease not terminated, and (ii) perform or cause to be performed, on an ongoing basis, all obligations (other than Excluded Obligations) that would have been performed by the Company with respect to the Terminal under the Port Authority Lease had the Port Authority Lease not terminated.

To the extent that the lessee of a Gate Sublease (as defined below) or Other Sublease (as defined below) performs, pursuant to a Gate Sublease or Other Sublease, any of Leasehold Mortgagee's Obligations, such performance will be deemed performance by the Leasehold Mortgagee to the extent of such performance.

The Port Authority agrees that, in connection with the performance by the Leasehold Mortgagee of the Leasehold Mortgagee's Obligations, the Leasehold Mortgagee will have, to the extent reasonably necessary to perform the Leasehold Mortgagee's Obligations, the rights of the lessee under the Port Authority Lease as though the Leasehold Mortgagee were the lessee under the Port Authority Lease, including, without limiting the generality

of the foregoing, the right to all notices and cure periods set forth in the Port Authority Lease, but will not have any rights of possession, use or occupancy of the Terminal or any portion thereof. The Port Authority agrees to take, or cause to be taken, such actions, including, without limitation giving such notices or providing such services, as may be reasonably necessary to enable the Leasehold Mortgagee to perform the Leasehold Mortgagee's Obligations in a timely and efficient manner. The Port Authority will enforce in a timely manner all provisions of the Gate Subleases and Other Subleases, the failure of the performance of which would have an adverse economic impact on the Leasehold Mortgagee. For this purpose, "adverse economic impact" means a decrease in revenues available to the Leasehold Mortgagee at the Terminal or an increase in costs to the Leasehold Mortgagee at the Terminal.

*Manager.* The Leasehold Mortgagee agrees to appoint a Person having experience and a national reputation in the management of air terminals to perform the Leasehold Mortgagee's Performance Obligations and to administer the Leasehold Mortgagee's Payment Obligations under the Reletting Agreement (the "*Manager*"). The Port Authority and the Manager will execute a license or other similar agreement with the Manager in order to provide the Manager access to the Terminal and information with respect thereto to enable the Manager to perform such obligations. Such agreement will contain the indemnities, insurance requirements and other provisions that would be usual for Port Authority agreements at its airports. The Port Authority will have the right to approve or disapprove of any Person proposed to be the Manager as if such Person were an "Applicant" (as defined below"), but the provisions of subparagraph (ii) of the second paragraph under the caption "*—Applicants*" will not apply to such Person. The Port Authority will have no other right to object to any Person proposed to be the Manager or the terms of its employment, but any agreement with the Manager will terminate if the Reletting Agreement terminates.

*Reletting Rights-Gates.* Upon the execution and delivery of the Reletting Agreement pursuant to the ATEIRA, the Leasehold Mortgagee will have the right to require the Port Authority to execute, and the Port Authority agrees to execute, subleases, use agreements or licenses (each, a "*Gate Sublease*") of one or more Gates with one or more Approved Sublessees. The initial term of each Gate Sublease shall be at least one year. The term or terms of each Gate Sublease shall not go beyond December 30, 2036, without the written consent of the Port Authority. Each Gate Sublease shall be in the appropriate form used at the time by the Port Authority at its airports. All rents under each Gate Sublease shall be payable to the Leasehold Mortgagee or its designated agent, unless otherwise directed by the Port Authority. The term of each Gate Sublease and the amount of rent and other charges payable thereunder shall be determined by the Leasehold Mortgagee in consultation with the Port Authority.

*Applicants.* Upon presenting a proposed Approved Sublessee (an "*Applicant*") to the Port Authority for its approval, the Leasehold Mortgagee will provide the Port Authority with such information as the Port Authority may reasonably request of the Leasehold Mortgagee in order to determine whether such Applicant is acceptable. Any Applicant must meet all of the requirements for an Approved Sublessee and said Applicant shall be subject to approval by the Port Authority. The Port Authority must approve or disapprove an Applicant within 60 days of receipt by the Port Authority of notice from the Leasehold Mortgagee or its designee of the name of the Applicant, along with all information regarding the Applicant (including such financial statements and other financial information) reasonably requested in writing by the Port Authority (the "*Approval Period*"). If the Port Authority fails to approve or disapprove of an Applicant by the end of the Approval Period, it shall be deemed to have approved of such Applicant and shall be obligated to execute a Gate Sublease as requested by the Leasehold Mortgagee. The Port Authority will execute each Gate Sublease as soon as practicable after the earlier of the end of the Approval Period (where the Port Authority has failed to approve or disapprove an Applicant as provided above) or the date it approves an Applicant.

In determining whether to approve or disapprove an Applicant, the Port Authority will consider all relevant factors, including without limitation the following factors, but it is agreed that the Port Authority shall analyze all such factors in a reasonable manner:

(i) whether the Applicant will be able to fulfill all of its obligations under the proposed Gate Sublease throughout the proposed term thereof;

(ii) whether the financial standing of the Applicant is sufficient, in the opinion of the Port Authority, to assure the Port Authority that the Applicant is able to fulfill all of its obligations under the proposed Gate Sublease throughout the proposed term thereof; including without limitation the submission to the Port Authority of such security or guaranty in such form and amount as the Port

Authority may find satisfactory consistent with the Port Authority's security policies then in effect;

(iii) whether the Applicant and any officer, director or partner thereof and any person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Applicant, if said Applicant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest, has a good reputation for integrity and financial responsibility and has not been convicted of, or under current indictment for, any crime and is not currently involved in material civil anti-trust or fraud litigation (other than as a plaintiff);

(iv) whether the Port Authority has had any Unfavorable Experience (defined below) with the Applicant, or any of its officers, directors, or partners, or any person, firm or corporation (such officers, directors, partners, person, firm and corporation, being herein in this item (iv) individually and collectively referred to as a "*Related Party*") having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the Applicant, if said Applicant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest; and

(v) whether the Applicant or any officer, director or partner thereof or any Person, firm or corporation having an outright or beneficial interest in twenty percent (20%) or more of the monies invested in the proposed assignee, if said Applicant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest, has a "conflict of interest," as defined under the laws of the States of New York and New Jersey or Port Authority policy, with any Commissioner of the Port Authority as of the date of the proposed acquisition.

"*Unfavorable Experience*" as used in this Appendix I shall mean any one or more of the following: (i) a material default by said Applicant or any such Related Party of any obligation (monetary or non-monetary) to the Port Authority; (ii) any assertion made by said Applicant or any such Related Party against the Port Authority in any frivolous, false, malicious, or unsupportable claim, demand or allegation or suit or proceeding; (iii) any act or omission of said Applicant or any such Related Party causing or resulting in any loss, damage or injury to the Port Authority or the imposition or threatened imposition of any fine or penalty on the Port Authority or the commencement or threatened commencement of any action, suit or proceeding against the Port Authority: (iv) any failure or refusal of said Applicant or any such Related Party to comply with any law, governmental order, directive, ordinance or requirement, including without limitation, Environmental Requirements, at any Port Authority facility; (v) any failure to comply with, or breach of, the Port Authority's Code of Ethics and Financial Disclosure by said Applicant or any such Related Party; or (vi) any breach by said Applicant or any such Related Party of any fiduciary obligation, trust, confidence or other duty to the Port Authority or of any confidentiality agreement with the Port Authority.

The Leasehold Mortgagee acknowledges that the Port Authority may refuse to approve an Applicant if it reasonably believes that executing a Gate Sublease with such Applicant would violate the Terminal 4 Covenant.

*Reletting Rights-Concessions and Other Space*. Upon the execution and delivery of the Reletting Agreement pursuant to the ATEIRA, the Leasehold Mortgagee shall have the right to require the Port Authority to execute, and the Port Authority agrees to execute, subleases, licenses or use agreements with a manager or directly with subtenants (each, an "*Other Sublease*") for concession and office space in the Terminal which Other Subleases shall contain terms as may, at the time, be in effect at Port Authority airport terminals and as shall be agreed to by the Port Authority and the Leasehold Mortgagee. The formulae for sharing of revenues between the Port Authority and the Leasehold Mortgagee shall be the formulae in effect with respect to concessions on the date of Termination and for the period during which such formulae would have been applicable had the Termination not occurred. The standard for the operation of concessions shall be that set forth in the Port Authority Lease. The Port Authority's then current standards for both a manager and/or any subtenants with respect to Other Subleases and other policies with respect to such subleases, licenses or use agreements shall be applicable.

*Termination of Reletting Rights.* All rights of the Leasehold Mortgagee under the Reletting Agreement shall automatically terminate and end, and the Reletting Agreement shall terminate, upon the date of the earliest to occur of the following: (i) the termination of the Basic Lease; (ii) the date specified in a written statement delivered to the Port Authority by the Leasehold Mortgagee electing to terminate the Reletting Agreement and the Reletting Rights; (iii) the date that the Port Authority pays to the Leasehold Mortgagee the Bond Payment Amount; (iv) the effective date of the termination, expiration or surrender (including without limitation discharge or release) of both of (x) the American Guaranty (except that if payment obligations of American (including its permitted successors pursuant to and under the American Guaranty as the Guarantor thereunder, provided each such permitted successor is then the lessee under the Port Authority Lease) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such payment obligations remaining outstanding and unpaid); and (y) the AAG Guaranty (except that if payment obligations of AAG (including its permitted successors pursuant to and under the AAG Guaranty as the Guarantor thereunder) thereunder with respect to the payment of principal, interest, purchase price or premium on the Bonds remain outstanding and unpaid, then upon the date when there are no such obligations remaining outstanding and unpaid); (v) the date on which no Bonds shall be Outstanding; (vi) the date as of which the Port Authority terminates the Reletting Agreement upon the occurrence of an Event of Default of the Leasehold Mortgagee hereunder; and (vii) December 31, 2036.

*Port Authority Obligations.* Upon the execution and delivery of the Reletting Agreement pursuant to the ATEIRA, the Port Authority agrees that until the Reletting Agreement is terminated:

(i) the Port Authority will not execute any sublease, license or use agreement of the Terminal or any portion thereof or otherwise permit any Person to operate therein (other than with respect to Gates with respect to which the Leasehold Mortgagee has lost its Reletting Rights as described in "*—Loss of Reletting Rights*" below) without the prior written consent of the Leasehold Mortgagee; and

(ii) the Port Authority will promptly process each request by the Leasehold Mortgagee that the Port Authority execute any Other Sublease pursuant to its Reletting Rights.

If the Port Authority requests the Leasehold Mortgagee to consent to a sublease, license or use agreement as provided in (i) above, the parties agree that the sole basis for a refusal of the Leasehold Mortgagee to give such consent is that, in the reasonable opinion of the Leasehold Mortgagee, it can, within a reasonable period of time, propose an Applicant for such space that will generate greater revenues or generate revenues for a longer period of time (and provides evidence to that effect reasonably satisfactory to the Port Authority) and the proposed sublease, license or use agreement conflicts with such use.

*Port Authority Termination Option.* The Port Authority shall have the right at any time to elect to terminate the Reletting Agreement by paying the Bond Payment Amount (defined below) to the Leasehold Mortgagee. The date such payment is made is referred to in the Reletting Agreement as the "*Bond Payment Date.*" If the Port Authority notifies the Leasehold Mortgagee that it is considering the exercise of this right, the Leasehold Mortgagee shall promptly notify the Port Authority in writing of the Bond Payment Amount, calculated as of the date or dates specified in such notice.

"*Bond Payment Amount*" means the principal amount of Bonds that are Outstanding on the Bond Payment Date, plus accrued and unpaid interest thereon to the Bond Payment Date. The Bond Payment Amount shall be paid to the Leasehold Mortgagee on the Bond Payment Date in federal or other immediately available funds.

If the Port Authority shall have paid the Bond Payment Amount as provided above, then on the Bond Payment Date, the Reletting Agreement shall terminate.

*Loss of Reletting Rights for Specific Gates.* The Port Authority may ascertain the Utilization Rate (defined below) for each Measuring Period (defined below) starting as of the date that is six months and two weeks following the date of execution of the Reletting Agreement.

After the execution of the Reletting Agreement, the Port Authority shall have the right, upon six months' written notice (a "*Loss of Reletting Rights Notice*") to the Leasehold Mortgagee, to terminate the Reletting Rights of

the Leasehold Mortgagee with respect to the combination and number of Gates specified in such notice and determined as provided below, if for the most recently completed Measuring Period preceding the date of the Loss of Reletting Rights Notice (a "*Test Period*") the Utilization Rate is less than 70% of the Base Utilization Standard (defined below) (the "*Minimum Utilization Standard*"). The Loss of Reletting Rights Notice must state the date as of which the Leasehold Mortgagee's Reletting Rights in the specified Gates shall terminate (the "*Gate Reletting Right Termination Date*"). A Gate with respect to which the Leasehold Mortgagee loses its Reletting Rights as described herein is called a "*Released Gate.*" Notwithstanding the foregoing, however, the Port Authority shall give the Leasehold Mortgagee at least thirty days' prior written notice of its intention to give the Loss of Reletting Rights Notice, and it is expressly agreed that the Port Authority shall not exercise such termination right with respect to any Gates (and no related Gate Reletting Right Termination Date shall occur) if the Leasehold Mortgagee has submitted to the Port Authority prior to the expiration of such 30 day notice period one or more Approved Sublessees that, if approved by the Port Authority, will bring the Utilization Rate (computed on a pro forma basis for the applicable Test Period after giving effect to the proposed Gate Subleases with the proposed Approved Sublessee or Sublessees, as agreed to by the Leasehold Mortgagee and the Port Authority) to at least the Minimum Utilization Standard, provided that the Port Authority actually approves such Approved Sublessee or Sublessees.

The Port Authority's right to terminate the Leasehold Mortgagee's Reletting Rights with respect to one or more Gates may be exercised one or more times until the Minimum Utilization Standard has been satisfied or the Leasehold Mortgagee has lost its Reletting Rights to all Gates, without waiving, limiting or impairing any other right of the Port Authority under the Reletting Agreement or otherwise.

On and after each Gate Reletting Right Termination Date the Leasehold Mortgagee shall have no Reletting Rights with respect to the Released Gate or Gates specified in the Loss of Reletting Rights Notice and (i) shall be entitled to a permanent pro rata abatement in its Leasehold Mortgagee's Payment Obligations based upon the Pro-Rata Share (as calculated in the Port Authority Lease) with respect to such Released Gate or Gates specified and (ii) shall be relieved of any Leasehold Mortgagee's Performance Obligations related to such Released Gate or Gates and related facilities.

"*Base Utilization Standard*" means the Utilization Rate (defined below) for the first full calendar year from and after September 30, 2008. The Base Utilization Standard shall be reduced as described in the paragraph following the paragraph immediately hereafter.

The Port Authority shall ascertain the Utilization Rate for any Measuring Period as provided in this paragraph. For purposes of this paragraph only, "*Terminal*" excludes all Released Gates. "*Measuring Period*" shall mean six consecutively occurring "*Test Weeks*", each being a period from a Sunday through a Saturday, including the next to occur of either February 15 or August 15. "*Guide*" shall mean, collectively (i) the Official Airline Guides and/or (ii) for all Approved Sublessees operating in the Terminal for the calendar year in which a Test Week falls for which the Official Airline Guides is incomplete or insufficient, an airline schedule reference or references agreed to by the Port Authority and the Leasehold Mortgagee. Based upon the Guide, the Port Authority shall ascertain the total number of revenue seats that were accommodated on the aircraft equipment scheduled to have been used at the Terminal during, and shall total the said number of revenue seats for, each Measuring Period (such total, the "*Total Revenue Seats*"). In making such determination, the Port Authority shall use the aircraft configurations as supplied by the Approved Sublessees for the Measuring Period in question with respect to the number of revenue seats that can be accommodated on the particular aircraft equipment scheduled to be used at the Terminal, The Total Revenue Seats at the Terminal shall be divided by forty-two, the resulting quotient being herein called the "*Utilization Rate.*"

Each Loss of Reletting Rights Notice must set forth the computations and assumptions supporting the exercise of the Port Authority's right and the identity of those Gates which the Port Authority proposes become Released Gates, The maximum number of Gates and the particular Gates which the Port Authority proposes become Released Gates will be agreed upon by the Leasehold Mortgagee and the Port Authority and shall be that number of Gates which will bring the Utilization Rate (computed on a pro forma basis for the applicable Measuring Period excluding the proposed Released Gates) to at least the Minimum Utilization Standard (computed based upon a revised Base Utilization Standard, adjusted to reflect the reduction in capacity resulting from the exclusion of the proposed Released Gates, as shall be agreed upon by the Leasehold Mortgagee and the Port Authority), The Manager shall implement the decision of the Port Authority and the Leasehold Mortgagee as to the number of Gates

and particular Gates which will become Released Gates such that all existing Approved Sublessees will be accommodated at Gates with respect to which the Leasehold Mortgagee retains its Reletting Rights.

As a condition to any termination pursuant to the provisions under this subheading, after giving effect to any termination of the Leasehold Mortgagee's Reletting Rights as to specified Gates, all then existing Gate Subleases must be with respect to Gates for which the Leasehold Mortgagee's Reletting Rights have not been terminated.

The Leasehold Mortgagee acknowledges and agrees that in the event of the exercise by the Port Authority of its option with respect to any Released Gates (1) the Port Authority will use the Released Gates in such manner as the Port Authority, as operator of the Airport and owner of the Released Gates, may deem appropriate, including without limitation, for the purpose of maximizing Port Authority revenues, and (2) the Port Authority may be in competition with the Leasehold Mortgagee in seeking tenants or other users of such Released Gates.

*Leasehold Mortgagee Defaults and Remedies.* The failure of the Leasehold Mortgagee to perform any of its agreements in the Reletting Agreement and the continuation of such failure after the notice and for the period specified in the following paragraph shall constitute an "*Event of Default*" by the Leasehold Mortgagee thereunder.

A default under the preceding paragraph shall not be an Event of Default unless the Port Authority shall have given the Leasehold Mortgagee a written notice specifying the default, demanding that it be remedied and stating that the notice is a "Notice of Default," and the Leasehold Mortgagee shall not have cured such default within 60 days after receipt of such notice (or 30 days after receipt of such notice in the case of Leasehold Mortgagee's Payment Obligations), or within such longer cure period as the Port Authority shall agree to. The Port Authority shall not unreasonably refuse to agree to a longer cure period with respect to a default of the Leasehold Mortgagee's Performance Obligations if the applicable default cannot reasonably be cured within 60 days after receipt of such notice and the Leasehold Mortgagee has begun within 60 days, and continued, diligent efforts to correct the default.

The Leasehold Mortgagee agrees that after receipt by it of a "Notice of Default" from the Port Authority, it will deposit all revenues received by it from the operation of the Terminal or otherwise from Approved Sublessees or other sublessees in a segregated bank account, to be under the joint control of the Leasehold Mortgagee and the Port Authority, and will not pay over those moneys to Bondholders until the alleged default has been cured or any dispute as to the existence of such default has been resolved. Upon resolution of the dispute, by cure or otherwise, any moneys determined to be owed to the Port Authority shall be paid to it and all remaining moneys shall be withdrawn from such account to be used in any manner as the Leasehold Mortgagee shall determine without any accountability to the Port Authority.

The sole remedy for an Event of Default by the Leasehold Mortgagee as described under this subheading relating to Leasehold Mortgagee defaults and remedies shall be the termination by the Port Authority of the Reletting Agreement and all Reletting Rights. To exercise this remedy, the Port Authority shall give written notice to the Leasehold Mortgagee of the effective date of such termination. The Leasehold Mortgagee shall not be liable in any case for damages thereunder and its obligations thereunder shall not be subject to specific performance. Notwithstanding the above, the Leasehold Mortgagee will be liable to the Port Authority to account for, and if so determined pursuant to any voluntary or judicially mandated resolution of any dispute, to pay to the Port Authority moneys owing to it under the Reletting Agreement from the funds retained in the segregated bank account described in the preceding paragraph. Upon any termination of the Reletting Agreement and all Reletting Rights as provided in this paragraph, the Leasehold Mortgagee shall pay over to the Port Authority any amounts held by the Leasehold Mortgagee to which the Port Authority shall be entitled.

*Port Authority Defaults and Remedies.* The failure of the Port Authority to perform any of its agreements in the Reletting Agreement and the continuation of such failure after the notice and for the period specified in the following paragraph shall constitute an "*Event of Default*" by the Port Authority thereunder.

A default under the preceding paragraph shall not be an Event of Default unless the Leasehold Mortgagee shall have given the Port Authority a written notice specifying the default, demanding that it be remedied and stating that the notice is a "Notice of Default," and the Port Authority shall not have cured such default within 60 days after

receipt of such notice, or within such longer cure period as the Leasehold Mortgagee shall agree to. The Leasehold Mortgagee shall not unreasonably refuse to agree to a longer period if the applicable default cannot reasonably be cured within 60 days after receipt of such notice and the Port Authority has begun within 60 days and continued diligent efforts to correct the default.

Upon the occurrence of an Event of Default by the Port Authority, the Leasehold Mortgagee may take any action at law or in equity to enforce performance and observance of any obligation, agreement or covenant of the Port Authority under the Reletting Agreement.

*Assignment.* The Reletting Agreement may not be assigned by either party; *provided* that if the Port Authority assigns or otherwise transfers its interest in the Terminal to another entity, such entity must assume the obligations of the Port Authority thereunder. A successor to the Leasehold Mortgagee as trustee under the Indenture shall, without further action, become the Leasehold Mortgagee under the Reletting Agreement.

**APPENDIX J**

**FORM OF CO-BOND COUNSEL OPINIONS**

**[LETTERHEAD OF CO-BOND COUNSEL]**

June [__], 2016

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 $844,210,000 aggregate principal amount of Special Facility Revenue Refunding Bonds, Series 2016 (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2016 Bonds").

The Series 2016 Bonds are issued under and pursuant to the Act and the Indenture of Trust, dated as of June 1, 2016 (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 May 25, 2016 (the "Bond Resolution") authorizing the issuance and sale of the Series 2016 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 2016 Bonds are dated the date hereof and mature on the dates as set forth in the Series 2016 Bonds and the Indenture. The Series 2016 Bonds shall be initially issued to bear interest at Long-Term Interest Rates and may be converted to bear interest at other interest rates as provided in the Indenture. The interest rates to be applicable to the Series 2016 Bonds while in a Long-Term Interest Rate Period shall be determined as provided in the Indenture. The Series 2016 Bonds are issuable as fully registered bonds, without coupons, in such authorized denominations as set forth in the Series 2016 Bonds and the Indenture.

The Series 2016 Bonds are subject to optional redemption, extraordinary optional redemption and mandatory redemption prior to maturity in the manner and upon the terms and conditions set forth in the Indenture.

The Series 2016 Bonds are issued in order to refund the outstanding New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) and Series 2005 (American Airlines, Inc. John F. Kennedy International Airport Project) (collectively, the "Prior Bonds") originally issued in the aggregate principal amount of $1,180,000,000. The proceeds of the Prior Bonds were used to finance the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York and the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities and a passenger tunnel connecting the remote concourse of the terminal to the main terminal (collectively, the "Facility"), to be used and managed by American Airlines, Inc. (the "Borrower").

The proceeds of the Series 2016 Bonds will be loaned by the Issuer to the Borrower pursuant to the Loan Agreement, dated as of June 1, 2016 (the "Loan Agreement"), by and between the Issuer and the Borrower, which loan will be evidenced by a related promissory note of the Borrower and used to refund the outstanding Prior Bonds.

The Series 2016 Bonds are secured by a pledge and assignment of the 2016 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 Borrower's payment obligations under the Loan Agreement will be separately guaranteed by each of the Borrower and its parent, American Airlines Group Inc. As security for the guaranties, the Borrower will grant to the Trustee and the Issuer a mortgage lien on the Borrower's leasehold interest in the Facility pursuant to the Leasehold Mortgage and Security Agreement, dated as of June 1, 2016 (the "Mortgage").

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.

We are of the opinion that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Series 2016 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 2016 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 2016 Bonds, and the Series 2016 Bonds have been duly authorized, executed and delivered by the Issuer. The Series 2016 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, Purchase Price and interest from moneys on deposit in the funds and accounts maintained under the Indenture. The Series 2016 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 2016 Bonds for interest on the Series 2016 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 2016 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 2016 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 2016 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 2016 Bond from gross income for federal income tax purposes during the period that such Series 2016 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 2016 Bonds is an "item of tax preference" to be included in calculating the federal 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 2016 Bonds to be not includable in gross income for federal income tax purposes, interest on the Series 2016 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 2016 Bond in taxable income for purposes of such personal income taxes during the period that such Series 2016 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 2016 Bonds.

We have examined one of the Series 2016 Bonds in fully registered form and, in our opinion, the form of said Series 2016 Bond is regular and proper.

The opinions expressed herein with respect to the Indenture, the Series 2016 Bonds and the Loan Agreement are qualified to the extent that enforceability of the Indenture, the Series 2016 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 express no opinion with respect to the due recording of the Mortgage or the due filing and sufficiency of financing statements under the Uniform Commercial Code as enacted in the State of New York. We understand that you have received the opinion of Debevoise & Plimpton LLP, counsel to the Borrower, dated the date hereof, with respect to such matters.

In rendering this opinion, we have reviewed the opinions of Debevoise & Plimpton LLP, Latham & Watkins LLP and Richards, Layton & Finger, P.A., 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 2016 Note, the Mortgage and the Tax Certificate by the Borrower. We understand that you have received the opinions of the Borrower's counsel, Debevoise & Plimpton LLP, Latham & Watkins LLP and Richards, Layton & Finger, P.A., 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 2016 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 2016 Bonds has concluded with their issuance, and we disclaim any obligations to update this letter.

Very truly yours,


American Airlines
TM