warrants and covenants that the Lessee has not used Hazardous Materials (as defined hereinafter) in acquiring, constructing, renovating, expanding or equipping the Facility in any manner that violates Federal, state or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and other than as disclosed to the Indemnified Parties, the Lessee has no actual knowledge of the presence or use of any Hazardous Materials on the Leased Facilities in a manner that would violate any such laws, ordinances, rules, regulations or policies. The Lessee shall comply with and require compliance by all tenants and subtenants of the Leased Facilities, in the generation, manufacture, refining, transport, treatment, storage, handling, disposal, transfer, production or processing of Hazardous Materials, with all applicable Federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and require that all tenants and subtenants of the Leased Facilities obtain and comply with, any and all approvals, registrations or permits required thereunder. The Lessee shall defend, indemnify, and hold harmless each Indemnified Party from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (w) the presence, disposal, release, or threatened release of any Hazardous Materials with respect to the Leased Facilities that are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (x) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such presence, disposal, release, or threatened release of Hazardous Materials; (y) any lawsuit brought or threatened, settlement reached, or government order relating to such presence, disposal, release, or threatened release of Hazardous Materials, and/or (z) any violation of laws, orders, regulations, requirements or demands of government authorities, which are based upon or in any way related to such presence, disposal, release or threatened release of Hazardous Materials including, without limitation, reasonable attorney and consultant fees and expenses, investigation and laboratory fees, court costs, and litigation expenses. For purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resources Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule, or regulation. The provisions of this paragraph shall be in addition to any and all other obligations and liabilities the Lessee may have to any Indemnified Party at common law, and shall survive the termination of the IDA Lease Agreement.

(d) In the event any claim, action, suit or proceeding shall be brought against an Indemnified Party within the protections provided by the Lessee under this Section 6.2, the Lessee shall, promptly after being so requested by such Indemnified Party, at the sole cost and expense of the Lessee, assume and direct the defense thereof, with counsel reasonably satisfactory to such Indemnified Party (counsel selected by the Lessee's insurance carrier being deemed to be so acceptable), and in such event the Lessee shall not be liable to such Indemnified Party for any legal or other expenses incurred by such Indemnified Party in connection with the defense thereof; provided, however, that unless and until the Lessee assumes the defense of any such action at the request of such Indemnified Party, the Indemnified Party shall have the right to

conduct the defense of such action at the Lessee's expense; and provided, further, that if an Indemnified Party reasonably concludes that there may be defenses available to it or them that are different from or in addition to the defenses available to the Lessee (in which case the Lessee will not have the right to direct the defense of such claim, action, suit or proceeding on behalf of such Indemnified Party), reasonable legal and other expenses incurred by such Indemnified Party will be paid by the Lessee. If the Lessee shall not promptly employ counsel to have charge of the defense of any such claim, action, suit or proceeding, reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Lessee.

(e) The indemnifications and protections set forth in this Section 6.2 shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

(f) Anything to the contrary in the IDA Lease Agreement notwithstanding, the covenants of the Lessee contained in this Section 6.2 shall remain in full force and effect after the termination of the IDA Lease Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions herein specified.

(g) For the purposes of this Section 6.2, the Lessee shall not be deemed an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

(h) To effectuate the purposes of this Section 6.2, the Lessee will provide for and insure to the extent available in the general insurance market, in the public liability policies required in Section 4.4 hereof, not only its own liability in respect of the matters therein mentioned but also the liability pursuant to this Section 6.2 (other than under Section 6.2(a)(i) and (ii)).

Section 6.3. Compensation and Expenses of Trustee, Bond Registrar, Paying Agents and Agency. The Lessee shall, to the extent not paid out of the proceeds of the Bonds as financing expenses, pay (i) the fees and expenses including all reasonable counsel fees and expenses of the Trustee as Leasehold Mortgagee under the Leasehold Mortgage, and (ii) the initial and annual fees of the Trustee for the services of the Trustee rendered and its expenses incurred under the Indenture, including reasonable fees and expenses as Bond Registrar and Paying Agent and in connection with preparation of new Bonds upon exchanges or transfers or making any investments in accordance with the Indenture, including reasonable counsel fees and disbursements, all in accordance with such agreements with respect thereto as shall exist between the Lessee and the Trustee. The Lessee shall also pay all fees of the Remarketing Agent and applicable Tender Agent for the Bonds, if any. The Lessee shall further pay the reasonable fees, costs and expenses of the Agency actually paid or incurred, together with any reasonable fees and disbursements incurred by the Agency's Bond Counsel and Agency's General Counsel in performing services for the Agency in connection with the IDA Lease Agreement, any IDA Lease Amendment, the Indenture, the Consent Agreement, any other Security Document or the Facility including fees and expenses of the Agency and the Agency's Bond Counsel relating to any Internal Revenue Service audit or inquiry with respect to the Bonds.

On the date of the sale and delivery by the Agency of the Series 2002 Bonds the Lessee shall pay the Agency a financing fee in the amount of $2,553,000 and the Lessee shall deliver to the Agency on behalf of the State, the State bond fee in the amount of $3,500,000. The Lessee further agrees to pay, as an annual administrative servicing fee to the Agency, the amount of $500 payable on the date of execution hereof and on every anniversary of the date of execution hereof until the termination of the IDA Lease Agreement. Upon the delivery of each Series of Additional Bonds, the Lessee shall pay to the Agency a financing fee in the amount set forth in the Applicable IDA Lease Amendment.

Section 6.4. Retention of Interest in Facility. The Agency shall not sell, assign, encumber (other than pursuant to the Equipment Security Agreement, or the granting clauses of the Indenture), convey or otherwise dispose of its interest in the Facility or any part thereof or interest therein (including its interest in the IDA Lease Agreement, in the rentals payable hereunder and in the Company Sublease) during the term of the IDA Lease Agreement, except as set forth below and in Section 5.1, 7.2, 8.1, 8.2, 8.3 or 8.4 hereof without the prior written consent of the Lessee, the Trustee and the Leasehold Mortgagee and any purported disposition without such consent shall be void.

The Agency and the Trustee, will, however, at the written direction of the Lessee and/or the Port Authority and at the written direction of the Lessee and/or the City during any period, if any, that the City-American Lease shall be in effect, so long as there exists no Event of Default hereunder, grant such rights of way or easements over, across, or under, the Leased Facilities, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of the IDA Lease Agreement and the Company Sublease as shall be necessary or convenient for the operation or use of the Facility (or as shall be desirable for the use of another parcel of property at John F. Kennedy International Airport or for use by the City, the Port Authority or a public utility), provided that such leases, rights-of-way, easements, permits or licenses shall not materially adversely affect the use or operation of the Facility and shall not violate the provisions of the Leasehold Mortgage. The Agency and the Trustee agree, at the sole cost and expense of the Lessee, the Port Authority, or the City, as the case may be, to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of the IDA Lease Agreement.

Notwithstanding any other provision of the IDA Lease Agreement, so long as there exists no Event of Default hereunder, the Lessee and/or the Port Authority may, and the Lessee and/or the City may during any period, if any, that the City-American Lease shall be in effect, from time to time by written direction to the Agency and the Trustee direct the Agency and the Trustee to release and remove from the IDA Lease Agreement and the leasehold estate created hereby any unimproved part of the Leased Facilities (on which none of the improvements, including the buildings, structures, improvements, related facilities, fixtures or other property comprising the Facility are situated; provided, that for purposes of this Section 6.4, the foregoing "improvements" shall not include roadways, runways, parking areas, curbs, gutters, landscaping and utility facilities) on the condition that such release and removal shall only constitute a Minor Release. Upon any such request by the Lessee and/or the Port Authority or the Lessee and/or the City as the case may be, the Agency and the Trustee shall, at the sole cost and expense of the Lessee, the Port Authority or the City as the case may be, execute and deliver any and all

instruments necessary or appropriate to so release and remove such portion of the Leased Facilities; provided, that no such release shall be effected unless there shall be delivered to the Trustee and the Agency a certificate of an Authorized Representative of the Lessee, stating that (i) the proposed Minor Release will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility immediately prior to such release such determination to be based upon a report or appraisal of a nationally recognized airport engineering, traffic or consulting firm selected by the Lessee and acceptable to the Trustee such report or appraisal to be appended to as such certification of the Lessee, (ii) there exists no Event of Default under the Security Documents, and (iii) simultaneously with such release, the part of the Leased Facilities which is the subject of such Minor Release shall be eliminated from the PA Lease or the City-American Lease as the case may be.

Notwithstanding the foregoing, in the event that, pursuant to the PA Lease or the City-American Lease, any portion of the Leased Facilities is released from the PA Lease or the City-American Lease, if any, this IDA Lease Agreement shall be deemed amended to exclude from the premises demised hereunder that portion of the Leased Facilities so released. If such release constitutes a Major Release the Lessee shall pay as additional rent to the Trustee on behalf of the Agency an amount equal to the Release Price and such Release Price shall be applied by the Trustee to the redemption of Bonds in accordance with the Indenture.

No conveyance or release effected under the provisions of this Section 6.4 shall entitle the Lessee to any abatement or diminution of the rents payable under Section 3.4 hereof or the other payments required to be made by the Lessee under the IDA Lease Agreement.

Section 6.5. Lessee's Covenant as to Tax Exemption. (a) To the extent compliance is within the control of the Lessee, the Lessee covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds (other than interest on Bonds accruing while owned by a "Substantial User" or a related person (within the meaning of Section 147 of the Code)) from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In furtherance of the foregoing, the Lessee covenants that it shall not fail to take any action or consent to the failure to take any action which such failure to act or consent would cause the interest on the Tax-Exempt Bonds to be includable in gross income for Federal income tax purposes under Section 103 of the Code. In furtherance of the covenant contained in the preceding sentence, the Lessee agrees to comply with the terms, provisions and conditions in the each of the Applicable Tax Certificates, including without limitation, the making of any payments and filings required thereunder.

(b) The Lessee covenants that it will not take any action or fail to take any action that may be taken by the Lessee with respect to the Tax-Exempt Bonds that would cause such Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

(c) The obligation of the Lessee to make the payments required under the Applicable Tax Certificates shall be absolute and unconditional, and the failure of the Agency, the Trustee or any other Person to execute or deliver or cause to be executed or delivered any documents or

to take any action required under the IDA Lease Agreement or otherwise shall not relieve the Lessee of its obligation under this Section.

(d) Notwithstanding any other provision of the Indenture or the IDA Lease 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 Federal income tax purposes, the covenants contained in this Section shall survive the discharge and satisfaction of the Bonds (in accordance with Section 10.01 of the Indenture) and the term of the IDA Lease Agreement.

(e) The Lessee agrees that the covenants, representations, warranties, and statements of expectation contained or incorporated by reference in this Section 6.5 shall be accurate and true and complied with as of the date on which each Series of Tax-Exempt Bonds is issued and at all times thereafter until such Series of Tax-Exempt Bonds are fully discharged and no longer accruing interest. The Lessee further agrees that if such discharge date is earlier than the final stated maturity date of such Series of Tax-Exempt Bonds, the Lessee must continue to comply with the representations, certifications and covenants contained in or incorporated by reference in this Section 6.5 until such final maturity date unless the Lessee receives a Favorable Opinion of Bond Counsel.

(f) The Lessee agrees that except to the extent that such use would not adversely affect the exclusion pursuant to Section 103 of the Code of interest on any Tax-Exempt Bonds from gross income of the owners thereof, no part of the proceeds of any Tax-Exempt Bonds or any funds held under the Indenture shall at any time be used directly or indirectly for any purpose that would cause any component of the Project to be financed with the proceeds of the Tax-Exempt Bonds (other than components the cost of which was a Nonqualified Cost) to become a facility not within those facilities referred to in Section 142(a)(1) of the Code.

(g) The Lessee agrees and covenants that, no requisition shall be paid from Net Proceeds of the Tax-Exempt Bonds for any cost of the Project which is not a Qualified Cost (other than Costs of Issuance) until the date on which the aggregate Qualified Costs theretofore and thereupon paid equals or exceeds 95% of the total costs of the Project theretofore and thereupon paid from the Net Proceeds of the Tax-Exempt Bonds. After such date, the Lessee, as agent for the Agency, may pay any requisition that, after payment thereof, results in 95% or more of the remaining Net Proceeds of the Tax-Exempt Bonds theretofore and thereupon requisitioned or transferred being used to pay Qualified Costs, unless the Lessee receives an opinion of Bond Counsel to the effect that the Lessee may disregard this covenant without adversely affecting the exclusion from gross income of the interest on the Tax-Exempt Bonds for Federal income tax purposes, in which case the Lessee may pay any such requisition without regard to this covenant.

(h) The representations, warranties, covenants and statements of expectation of the Lessee set forth in each Applicable Tax Certificate are by this reference incorporated in the IDA Lease Agreement as though fully set forth herein.

Section 6.6. Annual Filings; No-Default Certificates. (a) The Lessee agrees to furnish or cause to be furnished to the Agency upon its request within sixty (60) days after the same is

filed with the Securities and Exchange Commission, a copy of the annual Form 10-K of the Lessee filed with the Securities and Exchange Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Lessee's compliance with any of its covenants hereunder.

(b) The Lessee shall deliver to the Agency upon its request and the Trustee with each annual delivery required by Section 6.6 (a) hereof, a certificate of an Authorized Representative of the Lessee as to whether or not, as of the close of such preceding Fiscal Year of the Lessee, and at all times during such Fiscal Year, the Lessee was in compliance with all the provisions that relate to the Lessee in the PA Lease, the RNDA, the ATL, the Guaranty and the City-American Lease (if then effective), and in the IDA Lease Agreement and in any other Security Document to which it shall be a party, and as to whether or not a Determination of Taxability has occurred, and if such Authorized Representative shall have obtained knowledge of any default in such compliance or notice of such default or Determination of Taxability, he or she shall disclose in such certificate such default or defaults or notice thereof and the nature thereof, whether or not the same shall constitute an Event of Default hereunder, or the facts regarding the Determination of Taxability, as applicable, and any action proposed to be taken by the Lessee with respect thereto.

(c) The Lessee shall immediately transmit to each of the Agency, the Trustee, and the Leasehold Mortgagee copies of any termination or default notice it shall receive or deliver under the PA Lease, the RNDA, the ATL or the City-American Lease, if any.

(d) The Lessee shall immediately notify the Agency and the Trustee of the occurrence of any Event of Default. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the Lessee and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the Lessee shall state this fact on the notice.

Section 6.7. Discharge of Liens. (a) If any lien, encumbrance or charge is filed or asserted, or any judgment, decree, order, levy or process of any court or governmental body is entered, made or issued or any claim (such liens, encumbrances, charges, judgments, decrees, orders, levies, processes and claims being herein collectively called "Liens"), whether or not valid, is made against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease, or the interest of the Trustee as Trustee under the Indenture or as Leasehold Mortgagee under the Leasehold Mortgage, other than Liens not yet payable, Permitted Encumbrances, Liens being contested as permitted by Section 6.7(b) hereof, or Liens arising from action taken or failed to be taken by the Agency in matters unrelated to the Facility or in matters related to the Facility but permitted under the Security Documents to be taken or failed to be taken by the Agency, the Lessee forthwith upon receipt of notice of the filing, assertion, entry or issuance of such Lien (regardless of the source of such notice) shall give written notice thereof to the Agency, the Leasehold Mortgagee and the Trustee and take all action (including the payment of money and/or the securing of a bond) at its own cost and expense as may be

necessary or appropriate to obtain the discharge in full thereof and to remove or nullify the basis therefor. Nothing contained in the IDA Lease Agreement shall be construed as constituting the express or implied consent to or permission of the Agency for the performance of any labor or services or the furnishing of any materials that would give rise to any Lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease.

(b) The Lessee may at its sole expense contest (after prior written notice to the Agency, the Leasehold Mortgagee and the Trustee), by appropriate action conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Lien, if (1) in the Opinion of Counsel, such proceeding shall suspend the execution or enforcement of such Lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Lessee or the Agency under the IDA Lease Agreement or the Company Sublease, or the interest of the Trustee as Trustee under the Indenture or the interest of the Trustee as Leasehold Mortgagee under the Leasehold Mortgage, (2) none of the Agency, the Trustee, or the Leasehold Mortgagee would be in any danger of any criminal liability for failure to comply therewith, and (3) the Lessee shall have furnished such security, if any, as may be required in such proceedings or as may be reasonably requested by the Trustee to protect the security intended to be offered by the Security Documents.

Section 6.8. Agency's Authority; Covenant of Quiet Enjoyment. The Agency covenants and agrees that it has full right and lawful authority to enter into the IDA Lease Agreement for the full term hereof, including the right to grant the options to terminate the IDA Lease Agreement contained in Article VIII hereof.

Section 6.9. No Warranty of Condition or Suitability. THE AGENCY HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, FITNESS, DESIGN, OPERATION OR WORKMANSHIP OF ANY PART OF THE FACILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OR CAPACITY OF THE MATERIALS IN THE FACILITY, OR THE SUITABILITY OF THE FACILITY FOR THE PURPOSES OR NEEDS OF THE LESSEE OR THE EXTENT TO WHICH PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT TO PAY THE COST OF COMPLETION OF THE PROJECT. THE LESSEE ACKNOWLEDGES THAT THE AGENCY IS NOT THE MANUFACTURER OF THE FACILITY EQUIPMENT NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN. THE AGENCY SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER TO THE LESSEE OR ANY OTHER PERSON FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY THE PROPERTY OF THE FACILITY OR THE USE OR MAINTENANCE THEREOF OR THE FAILURE OF OPERATION THEREOF, OR THE REPAIR, SERVICE OR ADJUSTMENT THEREOF, OR BY ANY DELAY OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, REPAIRS, SERVICE OR ADJUSTMENT, OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF OR FOR ANY LOSS OF BUSINESS HOWSOEVER CAUSED.

Section 6.10. Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Rebate Fund, the Bond Fund, the Project Fund or any Bond Purchase Fund upon the expiration or sooner termination of the term of the IDA Lease Agreement as provided in the IDA Lease Agreement, after payment in full of the Bonds (in accordance with Section 10.01 of the Indenture), the fees, charges and expenses of the Trustee, the Bond Registrar, the Paying Agents and the Agency in accordance herewith and with the Indenture and after all rents and all other amounts payable hereunder, shall have been paid in full, and after all amounts required to be rebated to the Federal government pursuant to the Applicable Tax Certificate or the Indenture shall have been so paid, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

Section 6.11. Non-Discrimination, Employment Information, Opportunities and Guidelines.

(a) The Lessee shall, in all solicitations or advertisements for employees at the Facility placed by or on behalf of the Lessee, state that all qualified applicants will be considered for employment without regard to race, color, creed, sexual orientation or national origin, age or sex.

(b) The Lessee shall furnish to the Agency all information reasonably required by the Agency pursuant to this Section and will cooperate with the Agency for the purposes of investigation to ascertain compliance with this Section.

(c) The Agency and the Lessee shall, from time to time, mutually agree upon goals for the employment, training, or employment and training of members of minority groups in connection with performing work with respect to the Facility; provided however, if the Agency and the Lessee are unable to reach such mutual agreement, the Agency and the Lessee shall cooperate to ensure compliance with this Section 6.11.

(d) Except as is otherwise provided by collective bargaining contracts or agreements to which the Lessee is a party, the Lessee shall cause new employment opportunities created as a result of the Project to be listed with the New York State Department of Labor, Community Services Division, and with the administrative entity of the service delivery area created by the Federal Job Training Partnership Act (P.L. 97-300) in which the Project is located. Except as is otherwise provided by collective bargaining contracts or agreements to which the Lessee is a party, the Lessee covenants and agrees, where practicable, to consider persons eligible to participate in programs under the Federal Job Training Partnership Act (P.L. No. 97-300) who shall be referred to administrative entities or service delivery areas created pursuant to such Federal Job Training Partnership Act or by the Community Services Division of the New York State Department of Labor for such new employment opportunities.

(e) The Lessee hereby authorizes any private or governmental entity, including but not limited to the New York State Department of Labor ("DOL"), to, except if otherwise prohibited by law, release to the Agency and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under its control and pertinent to Lessee and its employees, to the extent related to the Facility and solely to enable the Agency

and or the EDC to comply with its reporting requirements required by Local Law 69 of 1993 and any other laws or regulations to which the Agency or the EDC are subject. In addition, upon the Agency's request and except if otherwise prohibited by law, the Lessee shall provide to the Agency any employment information in the Lessee's possession which is pertinent to the Lessee and its employees, but solely to the extent the information is related to the Facility and solely to enable the Agency and or the EDC to comply with its reporting requirements required by Local Law 69 of 1993 and any other laws or regulations to which the Agency or the EDC are subject. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Lessee itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of the IDA Lease Agreement.

(f) Annually, by August 1 of each year until the termination of the IDA Lease Agreement, the Lessee shall submit to the Agency an employment report relating to the period commencing July 1 of the previous year and ending June 30 of the year of the obligation of the filing of such report, substantially in the form of Appendix C-1 hereto, certified as to accuracy by an officer of the Lessee. In addition, upon termination of the IDA Lease Agreement or redemption of all Outstanding Bonds, the Lessee shall submit to the Agency an employment report, substantially in the form of Appendix C-2 hereto, certified as to accuracy by an officer of the Lessee. Each employment report submitted pursuant hereto shall relate only to employment by the Lessee at the Facility.

Section 6.12. Redemption Under Certain Circumstances; Special Covenants. (a) Upon the determination by resolution of the board members of the Agency that the Lessee is operating all or substantially all of the Facility, or is allowing all or substantially all of the Facility to be operated, other than as a qualified "project" in accordance with the Act (as in effect on the date of original issuance and delivery of the Series 2002A Bonds) and the failure of the Lessee within sixty (60) days (or such longer period as may be established pursuant to the proviso to this sentence) of the receipt by the Lessee of a copy of said resolution together with written notice of such noncompliance from the Agency to cure such noncompliance (a copy of which notice shall be sent to the Trustee), the Lessee covenants and agrees that it shall, on the immediately succeeding Interest Payment Date for each Series of Bonds following the termination of such sixty (60) day (or longer) period for which sufficient notice of redemption can be given in accordance with the requirements of the Indenture, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem all Outstanding Bonds of such Series in whole at the Redemption Price of 100% of the aggregate principal amount of the Outstanding Bonds of such Series (without premium) together with interest accrued thereon to such Interest Payment Date, provided, however, that if such noncompliance cannot be cured within such period of sixty (60) days with diligence (and is capable of being cured) and the Lessee promptly commences the curing of such noncompliance and thereafter prosecutes the curing thereof with diligence and to the Agency's reasonable satisfaction, such period of time

within which the Lessee may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee and the Bondholders of any such extension. The Agency shall give to the Lessee and the Trustee prior written notice of the meeting at which the members of the Agency are to consider such resolution, which notice shall be no less than sixty (60) days prior to such meeting.

For purposes of this Section 6.12(a), the Lessee shall be conclusively deemed to be operating all or substantially all of the Facility (or causing all or substantially all of the Facility to be operated) as a qualified "project" in accordance with the Act, if all or substantially all of the Facility shall be operated for general airport purposes substantially similar in nature to that conducted by the Lessee or other air carriers at the City's airports and other equivalent airports.

(b) Upon the occurrence of the circumstances requiring a mandatory redemption of any Series of Bonds pursuant to the Applicable Series Supplemental Indenture, the Lessee shall pay or cause the prepayment of its lease rental obligation upon the circumstances and in the manner set forth in the Indenture or any such Series Supplemental Indenture.

Section 6.13. Further Assurances. Upon the reasonable request of the Agency, the Leasehold Mortgagee, or the Trustee, the Lessee will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments, conveyances, transfers and assurances, including Uniform Commercial Code financing statements, at the sole cost and expense of the Lessee, as is reasonably necessary or advisable for the implementation, effectuation, correction, confirmation or perfection of the IDA Lease Agreement and any rights of the Agency or the Trustee hereunder, under the Indenture and under the Leasehold Mortgage; provided, however, that no such action requested of the Lessee will cause the Lessee to breach the terms and conditions of the PA Lease or the Consent Agreement, the City-American Lease (if then effective), or the ATL.

Section 6.14. Current Facility Description. The Lessee covenants and agrees that throughout the term of the IDA Lease Agreement, including upon the completion of the Project (or the placement into service of any separate component of the Project) or of any replacement, repair, restoration, reconstruction or substitution of the Facility Equipment constituting Financed Property pursuant to Section 5.1 or Section 8.1 hereof, it will cause to be attached to the IDA Lease Agreement in the form of Schedule I to the IDA Lease Agreement, an accurate and complete description of the improvements to the Leased Facilities and each item of Facility Equipment constituting Financed Property, including such information as shall be provided for under the IDA Lease Agreement. Schedule I shall be in the form attached hereto as Exhibit A. To this end, the Lessee covenants and agrees that it will on an ongoing basis, diligently and promptly reflect the acquisition of each improvement to the Leased Facilities and the acquisition and substitution of each item of Facility Equipment constituting Financed Property in an accurate and sufficient manner to identify the same, on Schedule I hereto, and the Lessee shall from time to time prepare supplements to Schedule I in compliance with the foregoing.

Section 6.15. Filing. The security interest of the Trustee created under the Granting Clauses of the Indenture and the Equipment Security Agreement shall be perfected by the filing of financing statements by the Trustee that fully comply with the New York State Uniform Commercial Code - Secured Transactions in the office of the Secretary of State of the State, in

the City of Albany, New York and in the appropriate office of the Register of the City of New York. The Trustee shall file or cause to be filed all necessary continuation statements (and additional financing statements) within the time prescribed by the New York State Uniform Commercial Code - Secured Transactions in order to continue (or attach and perfect) the security interest granted under the Granting Clauses of the Indenture and the Equipment Security Agreement, to the end that the rights of the Agency, the Holders of the Bonds and the Trustee in the IDA Lease Agreement shall be fully preserved as against creditors or purchasers for value from the Agency or the Lessee. At the expiration or earlier termination (other than pursuant to Section 7.2 hereof) of the IDA Lease Agreement and the satisfaction of all obligations owing by the Lessee to the Trustee under this and all other Security Documents, the Agency and the Trustee shall deliver, at the direction and sole cost of the Lessee, UCC-3 Termination Statements and such other instruments reasonably requested by the Lessee necessary to terminate such security interest.

Section 6.16. Right to Cure Agency Defaults. The Agency hereby grants the Lessee full authority (with no obligation of the Lessee to do so) for account of the Agency to perform any covenant or obligation of the Agency contained in the Indenture, or the IDA Lease Agreement, the non-performance of which by the Agency would otherwise constitute a default, in the name and stead of the Agency, with full power of substitution.

Section 6.17. Certain Covenants with Respect to the PA Lease, the Leasehold Mortgage, the RNDA, the City-American Lease and the ATL. (a) At least five (5) Business Days prior to the execution of any material amendment, supplement or modification to the City-American Lease, if any, the RNDA or the ATL, the Lessee shall deliver a copy of same in substantially final form to each of the Agency and the Trustee. The Lessee further covenants that it shall not (i) terminate, (ii) surrender, or (iii) materially amend the RNDA, or the ATL without the Trustee's prior written consent.

(b) The Lessee shall not modify, amend, supplement or extend Section 92 of the PA Lease or any analogous provision of the City-American Lease, nor shall the Lessee enter into any amendment of the PA Lease or the City-American Lease which shall only affect an Approved Successor Lessee under the PA Lease or successor lessee under the City-American Lease and shall not affect the originally named Lessee, without the prior consent of the Trustee in each case.

(c) The Lessee shall not enter into any termination agreement with respect to the PA Lease or the City-American Lease (if then effective), nor surrender or abandon its interest in the Leased Facilities under the PA Lease or the City-American Lease other than as contemplated by Section 5.1 or 8.4 hereof. The foregoing provision shall not in any way limit or modify the Lessee's obligations under the PA Lease.

(d) The Lessee shall use commercially reasonable good faith efforts to obtain the Redevelopment Completion Certificate as soon as possible after the Redevelopment Work has been completed.

(e) Upon the recording of any mortgage of the Lessee's leasehold interest in the City-American Lease, the Lessee shall pay any Mortgage Recording Tax due with respect to the recording thereof.

(f) The Lessee covenants that (i) on or before the date it delivers to the Trustee the executed Leasehold Mortgage in accordance with Section 6.17(i) hereof, it shall pay to the Trustee for deposit in to the Foreclosure Payment Account of the Mortgage Reserve Fund an amount equal to the Foreclosure Payment Account Requirement and (ii) it will replenish any deficiencies in the Foreclosure Payment Account based upon the valuation of the assets thereof in accordance with Section 5.13(g) of the Indenture.

(g) In the event the Basic Lease has not been extended for a term at least equal to the final maturity date of the Bonds, the Lessee shall, beginning at such time as it reasonably deems appropriate, use commercially reasonable good faith efforts to obtain and execute, not later than 30 days prior to the expiration date of the Basic Lease, the City-American Lease. Simultaneously with the execution of the City-American Lease, the Lessee and the Agency shall, to the extent necessary to preserve the Agency's leasehold interest in the Leased Facilities, execute and deliver an amended and restated Company Sublease to provide for the sublease of the Leased Facilities under the City-American Lease from the Lessee to the Agency and, if necessary, an amended and restated IDA Lease Agreement to provide for the sublease of the Leased Facilities from the Agency to the Lessee.

(h) The Lessee and the Agency each hereby covenants and agrees that it shall comply with the provisions of Section d(2) of Section 92 in connection with the recordation of the Leasehold Mortgage. In the event that any recordation of the Leasehold Mortgage shall constitute a Wrongful Recording of the Leasehold Mortgage as defined in such Section, the Lessee hereby expressly covenants, represents and agrees that the Lessee shall cooperate with the Port Authority and the Trustee, and shall promptly take or cause to be taken any and all actions requested by the Port Authority or the Trustee or required under applicable law, to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including but not limited to the execution and filing of all appropriate instruments related thereto. Notwithstanding the foregoing, any failure of the Lessee to comply with Section d(2) of Section 92 or any Wrongful Recording of the Leasehold Mortgage shall not constitute a breach of this Section 6.17(h) in the event such failure or Wrongful Recording of the Leasehold Mortgage is cured as provided in this paragraph or, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived in writing by the Port Authority. After the Redevelopment Work has been completed, the Lessee shall take such actions as are necessary to satisfy the conditions set forth in Subsections (i) and (v) of Section (d) (1) of Section 92, and Lessee shall take the action contemplated to be taken by it under Subsections (i), (ii) and (v) of Section (d)(3) of Section 92.

(i) The Lessee hereby covenants and agrees that it shall, in accordance with Section d(2) of Section 92, execute the Mortgage and deliver two execution copies of the same to the Trustee no later than twenty-one (21) Business Days after the Reletting Rights Effective Date. Simultaneously with such delivery, the Lessee shall deliver to the Trustee an Opinion of Counsel reasonably satisfactory to the Trustee and the Agency as to the validity and enforceability of the Leasehold Mortgage and the Lessee shall direct the Trustee to record the Leasehold Mortgage in

the appropriate recording office of the City. Prior to the delivery of the Leasehold Mortgage to the Trustee for recording, the Lessee shall present the Leasehold Mortgage to the Agency for execution by the Agency and upon the request of the Lessee, the Agency shall execute the same. Simultaneously with such execution, the Agency shall deliver an opinion of the Vice President for Legal Affairs of the Agency in form reasonably satisfactory to the Trustee and the Lessee as to the validity and enforceability of the obligations of the Agency under the Leasehold Mortgage.

(j) (i) In the event the Basic Lease has not been extended for a term at least equal to the final maturity date of the Bonds, the Lessee shall, beginning at such time as it reasonably deems appropriate, use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee as Leasehold Mortgagee, not later than the 30 days prior to the expiration date of the Basic Lease, a leasehold mortgage of the Lessee's leasehold interest under the City-American Lease having substantially similar terms and provisions as the Leasehold Mortgage; provided, however, that if the Lessee, using such efforts, can obtain from the City only the right to grant a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by one or more similarly situated air carriers on leasehold interests in property at the Airport, the Lessee shall be deemed to have satisfied such obligation if it shall execute and deliver such a leasehold mortgage to the Leasehold Mortgagee.

(ii) In the event that subsequent to the commencement of the City-American Lease, the City and the Port Authority direct the Lessee pursuant to Section 94 of the PA Lease to lease the Facility from the Port Authority pursuant to a lease with the Port Authority (the "New PA Lease"), the Lessee shall use commercially reasonable good faith efforts to negotiate, execute and deliver to the Trustee as Leasehold Mortgagee, a leasehold mortgage of the Lessee's leasehold interest under the New PA Lease having substantially similar terms and provisions as the Leasehold Mortgage; provided, however, that if the Lessee, using such efforts, can obtain from the Port Authority only the right to grant a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the Port Authority to be granted by one or more similarly situated air carriers on leasehold interests in property at the Airport, the Lessee shall be deemed to have satisfied such obligation if it shall execute and deliver such a leasehold mortgage to the Leasehold Mortgagee.

(k) The Lessee covenants that it will construct at the Premises not less than fifty-five (55) aircraft loading and unloading gate positions of which at least thirty-five (35) are to accommodate wide-body aircraft and of which at least two (2) are to accommodate narrowbody aircraft, or such other number of aircraft gate positions as shall have been approved in writing by the Director of the Port Authority's Aviation Department as being the number of gate positions as shall satisfy the requirement of item (iii) in the definition of "Required Conditions" contained in the PA Lease.

Section 6.18. Certain Acknowledgments. The Agency and the Lessee hereby acknowledge and agree that the leasehold estates of the IDA Lease Agreement and the Company Sublease in the Leased Facilities are subject in all respects to the terms of the Basic Lease, the Consent Agreement, the PA Lease, the ATL and the RNDA.

## ARTICLE VII

### Events of Default; Remedies

Section 7.1. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) Failure of the Lessee to pay any rental that has become due and payable by the terms of the IDA Lease Agreement which results in an Event of Default under the Indenture;

(b) Failure of the Lessee to observe and perform any covenant, condition or agreement on its part to be performed (except as set forth in Section 7.1(a) hereof) under Sections 3.2 (the last sentence of the first paragraph thereof), 3.4(j), 4.1(d), 4.3, 4.6, 5.1(e), 6.1, 6.7, 6.17 (except clause (i) of Section 6.17(f)) or 9.3 (with respect to an assignment or transfer of the IDA Lease Agreement) hereof and (1) continuance of such failure for a period of sixty (60) days after receipt by the Lessee of written notice specifying the nature of such default from the Agency, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said sixty (60) days, the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(c) Any representation or warranty made by the Lessee in Sections 1.5(a) , (b) (i) , (e) , (f), (k), (o) or (q) of the IDA Lease Agreement shall prove to be false, misleading or incorrect in any material respect as of the date made, and, if the damage caused by such false, misleading or incorrect representation or warranty is capable of being remedied, the failure of the Lessee for a period of three hundred sixty (360) days after receipt by the Lessee of written notice specifying such false, misleading or incorrect representation or warranty from the Agency, the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, to remedy such damage;

(d) An "Event of Default" under the Indenture shall occur and be continuing that shall result in the acceleration of the principal of any Outstanding Bonds; or

(e) Failure of the Lessee to fully fund the Foreclosure Payment Account in an amount equal to the Foreclosure Payment Account Requirement as required in clause (i) of Section 6.17(f).

Section 7.2. Remedies on Default. Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, the Agency, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of rent payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon to the date of such acceleration, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under Section 8.01(a)(vi) of the Indenture, all principal installments of rent

payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement, together with the accrued interest thereon to the date of such acceleration, shall immediately become due and payable without any declaration, notice or other action of the Agency, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) Solely in conjunction with the exercise by the Trustee as mortgagee of its rights and remedies under the Leasehold Mortgage, the Trustee, or the Agency, with the prior written consent of the Trustee, may, subject to compliance with Section 9.3 hereof and without terminating the IDA Lease Agreement, re-let or sublease the Facility to an Approved Successor Lessee for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts payable by the sublessee in such subletting, and the rents and other amounts payable by the Lessee hereunder;

(c) The Agency, with the prior written consent of the Trustee, or the Trustee, may terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein and herein granted or vested in the Lessee shall cease and terminate. No such termination of the IDA Lease Agreement shall relieve the Lessee of its liability and obligations hereunder and such liability and obligations shall survive any such termination;

(d) The Trustee may take whatever action at law or in equity (subject to the limitations set forth in Section 8.12 of the Indenture) as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Lessee under the IDA Lease Agreement the enforcement of which shall not have been expressly reserved only to the Agency; and

The Agency, without the consent of the Trustee or any Bondholder, may proceed to enforce the Agency's Reserved Rights by an action for damages, injunction or specific performance, by requiring the surrender by the Lessee to the Agency of the Sales Tax Letter for suspension or cancellation and/or termination.

In the event that the Lessee fails to make any rental payment required by the IDA Lease Agreement, the installment so in default shall continue as an obligation of the Lessee with interest thereon at the rate or rates borne by the Bonds until the amount in default shall have been fully paid.

No action taken pursuant to this Section 7.2 shall, except as expressly provided herein, relieve the Lessee from the Lessee's obligations hereunder, all of which shall survive any such action.

Section 7.3. [Reserved].

Section 7.4. Remedies Cumulative. The rights and remedies of the Agency or the Trustee under the IDA Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency or the Trustee allowed by law with respect to any default under the IDA Lease Agreement. Failure by the Agency or the Trustee to insist upon the strict performance of any of the covenants and agreements herein set forth or to exercise any rights or remedies upon default by the Lessee hereunder shall not be considered or taken as a waiver or

relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Lessee with all of the covenants and conditions hereof, or of the rights to exercise any such rights or remedies.

Section 7.5. No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in the IDA Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be binding unless it is in writing and signed by the party making such waiver. No course of dealing between the Agency and/or the Trustee and the Lessee or any delay or omission on the part of the Agency and/or the Trustee in exercising any rights hereunder or under the Indenture or under any other Security Document shall operate as a waiver.

Section 7.6. Effect on Discontinuance of Proceedings. In case any proceeding taken by the Trustee under the Indenture, the Guaranty, the Equipment Security Agreement, the IDA Lease Agreement or under any other Security Document on account of any Event of Default hereunder or under the Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then, and in every such case, the Agency, the Lessee, the Guarantor, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights hereunder and thereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Section 7.7. Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of the IDA Lease Agreement and the Agency or the Trustee should employ attorneys or incur other expenses for the collection of rentals or other amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the Agency or the Trustee the reasonable fees and disbursements of such attorneys and such other expenses so incurred.

Section 7.8. Limitation on Remedies Upon an Event of Default. The exercise of remedies under the IDA Lease Agreement by the Agency, the Trustee or the Holders of Bonds with respect to an Event of Default hereunder shall be subject to the provisions of Section 8.12 of the Indenture.

Section 7.9. Non-Default Remedies. Notwithstanding any provision of the IDA Lease Agreement to the contrary, the Agency, or the Trustee on behalf of the Agency, shall have the right to enforce any covenant or obligation of the IDA Lease Agreement the breach of which would not constitute an Event of Default under Section 7.1 hereof by any action for damages, injunction or specific performance and any such action shall be limited by and subject to Section 8.12 of the Indenture.

## ARTICLE VIII

## Options

Section 8.1. Options.

(a) Substitution of Facility Equipment Constituting Financed Property. The Lessee may, provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, remove any unit of Facility Equipment constituting Financed Property, not subject to the PA Lease, the Basic Lease or the City-American Lease, as the case may be, whether obsolete or not; provided, however, that the Lessee shall promptly replace any such Facility Equipment so removed with equipment of the same or a different kind but that is of at least equal value and capable of performing the same function as efficiently as the Facility Equipment so removed, provided further that such replacement equipment is free of all mortgages, liens, charges, encumbrances, claims and security interest other than Permitted Encumbrances and the replacement equipment shall be deemed Facility Equipment covered by the IDA Lease Agreement and the Equipment Security Agreement. Prior to any such replacement by the Lessee (i) the Lessee shall deliver to the Agency a certificate by an authorized representative of the Lessee setting forth a complete description, including make, model and serial numbers, if any, of such Facility Equipment to be replaced and such Facility Equipment to be substituted, and the cost of each; (ii) the Lessee shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency title to any such replacement equipment and subjecting such replacement equipment to the IDA Lease Agreement; and (iii) the Lessee and the Agency shall deliver or cause to be delivered to the Trustee appropriate documents subjecting such replacement equipment to the lien and security interest of the Equipment Security Agreement. Any Facility Equipment constituting Financed Property removed by Lessee pursuant to this paragraph shall become the absolute property of the Lessee and may be sold or otherwise disposed of by the Lessee without accounting to the Agency with respect thereto. The Lessee agrees to pay all costs and expenses (including reasonable counsel fees and disbursements) incurred in subjecting to the IDA Lease Agreement and the lien and security interest of the Leasehold Mortgage or Equipment Security Agreement of any property installed or placed on the Project Premises as part of the Facility pursuant to this Section 8.1(a).

(b) Sale of Facility Equipment Constituting Financed Property. The Lessee shall have the right, (i) provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, and (ii) provided that the foregoing sale shall not adversely affect operations of the Leased Facility, to compel the sale of any unit of Facility Equipment constituting Financed Property for any reason (whether during the term of the IDA Lease Agreement or at the expiration thereof). The Lessee shall give notice of its election to have such Facility Equipment sold by delivering to the Agency a certificate signed by a representative of the Lessee (i) stating the Lessee's desire to have such Facility Equipment sold and that removal of such Facility Equipment will not adversely affect operations of the Leased Facility, (ii) containing a complete description, including the make, model and serial number, if any, of any such Facility Equipment to be sold and (iii) setting forth the original cost of such unit of Facility Equipment.

(c) Lessee's Right of First Refusal. Provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, the Lessee shall have the right (the "Right of First Refusal") to purchase any unit of Facility Equipment constituting Financed Property to be sold, subject to the procedures set forth below. The Right of First Refusal must be exercised by written notice to the Agency. If the Right of First Refusal is exercised, then, subject to the provisions set forth in this Article VIII, the Agency shall convey to the Lessee, and the Lessee shall purchase from the Agency, the Agency's interest in the unit of Facility Equipment.

(d) Sale Procedure and Proceeds. Upon sale of any unit of Facility Equipment constituting Financed Property pursuant to this Section 8.1: (i) the Agency shall convey such unit of Facility Equipment without representation or warranty, other than that such unit of Facility Equipment is free and clear of all liens created solely by the Agency, by a duly executed and acknowledged bill of sale of such Facility Equipment, (ii) upon the date fixed for any purchase of the Agency's interest in such unit of Facility Equipment, the purchaser shall pay to the Trustee the fair market value of such equipment as determined by the Lessee pursuant to a certificate of the Lessee, by wire transfer of immediately available funds, (iii) in the event any such purchase occurs within three (3) years of the acquisition of such Facility Equipment by the Agency and such acquisition was exempt from the payment of Sales and Use Taxes by virtue of the Sales Tax Letter, the Lessee shall pay to the Agency an amount equal to the Sales Tax Savings granted with respect to the acquisition of such Facility Equipment, (iv) the Agency shall execute and deliver to the purchaser, at the purchaser's expense, such other documents as the purchaser may request in order to effect such conveyances as are customary in similar transfers, and (v) the Trustee shall deposit the proceeds of the sale in any Redemption Account(s) of the Bond Fund (as specified by the Lessee) to be applied to the prepayment of Bonds then Outstanding. In the event that the application of such proceeds of the sale to the payment of the Bonds as set forth in clause (v) above would adversely affect the exclusion pursuant to section 103 of the Code of interest on any Tax-Exempt Bonds from the gross income of the owners thereof for Federal income tax purposes, the Lessee shall have the option to cause the sale of the unit of such Facility Equipment (regardless of its exercise of the Right of First Refusal) and to exercise its Right of First Refusal without having the proceeds of the sale applied to the payment of the Tax-Exempt Bonds. Upon the sale of such Facility Equipment, the Lessee shall no longer have any obligation to the Agency with regard to such Facility Equipment under the IDA Lease Agreement.

(e) No such removal or replacement as described in this Section 8.1 shall be effected if (w) such removal or replacement would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, or change the nature of the Financed Property so that it would cease to be an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, (x) such removal or replacement would cause the Lessee to be in breach or default of the PA Lease, the ATL or the City-American Lease (if then effective), (y) such removal or replacement would impair the usefulness, structural integrity or operating efficiency of the Facility or (z) there shall exist and be continuing an Event of Default.

(f) The Lessee shall not, without the prior written consent of the Agency, and except as permitted above, remove any Financed Property from the Facility.

(g) The removal from the Facility of any Facility Equipment pursuant to the provisions of this Section 8.01 shall not entitle the Lessee to any abatement or reduction in the rentals or other amounts payable by the Lessee under the IDA Lease Agreement.

8.1A Options Facility Equipment Not Constituting Financed Property. (a) The Lessee shall upon payment to the Agency of $1 consideration, have the privilege from time to time of removing from the Project Premises any item of the Facility Equipment not constituting Financed Property and thereby acquiring such Facility Equipment, provided that:

(i) In the event such Facility Equipment is necessary for the continued operation of the Facility, such Facility Equipment is substituted or replaced by property (A) having equal or greater, operating efficiency and utility and (B) being free of all mortgages, liens, charges, encumbrances, claims and security interests other than Permitted Encumbrances; and

(ii) in the event any such removal occurs within the three (3) years of the acquisition of such Facility Equipment being so removed or replaced and such acquisition was exempt from the payment of Sales and Use Taxes by virtue of the Sales Tax Letter, the Lessee shall pay to the Agency an amount equal to the Sales Tax Savings granted with respect to the acquisition of such Facility Equipment by the Agency;

provided further, however, no such removal as set forth above shall be effected if (w) such removal would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, (x) such removal would cause the Lessee to be in breach or default of the PA Lease, (y) such removal would impair the usefulness, structural integrity or operating efficiency of the Facility or (z) there shall exist and be continuing an Event of Default.

(b) The Lessee shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency title to any property installed or placed upon the Project Premises pursuant to Section 8.1A(a) and subjecting such substitute or replacement property to the IDA Lease Agreement and upon written request of the Lessee, the Agency shall deliver to the Lessee appropriate documents conveying to the Lessee title to any property removed from the Project Premises pursuant to Section 8.1A(a).

(c) The removal from the Project Premises of any such Facility Equipment pursuant to the provisions of this Section 8.1A shall not entitle the Lessee to any abatement or reduction in the rentals and other amounts payable by the Lessee under the IDA Lease Agreement.

Section 8.2. Lessee's Right to Prepay Rentals. With respect to each Series of Bonds, the Lessee shall have the option to make prepayments of rent under the IDA Lease Agreement. Any such prepayment shall be deposited in the Applicable Redemption Account of the Bond Fund (as specified by the Lessee) to effect the defeasance of the lien of the Indenture with respect to such Series in whole or the redemption in whole or in part of such Series of Bonds, all in accordance with the terms of the Indenture; provided, however, that no optional partial redemption of Bonds may be effected through advance rental payments hereunder if there shall exist and be continuing an Event of Default with respect to the Bonds. The Lessee shall exercise its option to make such advance rental payments by delivering a written notice of an Authorized

Representative of the Lessee to the Trustee in accordance with the Indenture, with a copy to the Agency, setting forth (i) the amount of the advance rental payment, (ii) the principal amount and Series of Bonds Outstanding requested to be redeemed with such advance rental payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture), (iii) in the case of any partial redemption, the maturities of principal amounts of Bonds of such Series and maturities to be redeemed, and (iv) the date on which such principal amount of Bonds are to be redeemed, which date shall not be sooner than forty (40) days from the date of such Lessee notice. Such advance rental payment shall be paid to the Trustee in immediately available funds on or before the redemption date and shall be in an amount that, when added to the amount on deposit in the Bond Fund and available therefor, will be sufficient to pay the Redemption Price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency (in the event of a redemption in whole or defeasance of the lien of the Indenture), the Bond Registrar, the Trustee and the Paying Agents in connection with such redemption. In the event all the Bonds are to be redeemed in whole or otherwise retired, the Lessee shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Registrar and the Paying Agents, as the case may be, all fees and expenses owed such party or any other party entitled thereto under the IDA Lease Agreement or the Indenture together with all other amounts due and payable under the IDA Lease Agreement and the other Security Documents.

Section 8.3. Prepayment by Port Authority. The Port Authority shall have the right in accordance with the Consent Agreement and Section 92(v) of the PA Lease, to purchase the Facility.

Section 8.4. Conveyance on Exercise of Option to Purchase. Upon prepayment of all Outstanding Bonds pursuant to Section 8.2 hereof and upon payment of the fees and expenses of the Agency, the Trustee, the Bond Registrar, the Paying Agent and all other amounts due and payable under the IDA Lease Agreement and any amounts due to be rebated to the Federal Government pursuant to all of the Applicable Tax Certificates together with any amounts due and owing to any Credit Facility Provider, the Agency will (a) remove or cause to be removed any liens on its interest in the Facility, if any, created by the affirmative action of the Agency (and not taken at the direction of the Lessee, the Port Authority, the City or the Trustee nor suffered to be created by the Agency) and (b) request the Trustee to deliver to the Lessee a release, satisfaction or termination of the Leasehold Mortgage and the Equipment Security Agreement. Concurrently with the delivery of such documents, there shall be delivered by the Agency to the Trustee any instructions or other instruments required by Section 10.01 of the Indenture to defease and pay the Bonds.

Upon conveyance of the Agency's interest in the Facility pursuant to this Section 8.4, the IDA Lease Agreement and all obligations of the Lessee hereunder shall be terminated except the obligations of the Lessee under Sections 6.2, 6.3, 8.7 and 9.17 shall survive such termination.

Section 8.5. Option to Purchase or Invite Tenders of Bonds. The Lessee shall have the option, at any time during the term of the IDA Lease Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. In the event the Lessee or any Affiliate shall hold a majority in aggregate principal amount of the Bonds Outstanding for a period in excess of one hundred eighty (180)

days and the Lessee shall have not delivered to the Agency and the Trustee either (i) a certificate of an Authorized Representative of the Lessee that the reason for such holding is an inability to effect the remarketing of such Bonds at a reasonable price and that upon a return of favorable market conditions the Lessee intends to remarket such Bonds, or (ii) an opinion of Bond Counsel to the effect that such holding of Bonds by the Lessee (y) will not permanently cause the interest on the Bonds to become includable in gross income for Federal income tax purposes, nor (z) adversely affect the validity of the Bonds, then the Lessee shall cause all such Bonds so held to be delivered to the Trustee for cancellation. The Agency shall at all times make available or cause to be made available to the Lessee its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

Section 8.6. Termination of Agreement. After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with Section 10.01 of the Master Indenture, the Lessee shall terminate the IDA Lease Agreement by paying the fees and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts due and payable under the IDA Lease Agreement and the other Security Documents, together with any amounts required to be rebated to the Federal government pursuant to the Indenture or each of the Applicable Tax Certificates, and any amounts due and owing to any Credit Facility Provider and by giving the Agency notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to the survival of the obligations of the Lessee under Sections 6.2, 6.3, 8.7 and 9.17 hereof.

Section 8.7. Recapture of Agency Benefits. It is understood and agreed by the parties to the IDA Lease Agreement that the Agency is issuing the Bonds to finance a portion of the Project Costs and is entering into the IDA Lease Agreement in order to accomplish the public purposes of the Act. In consideration therefor, subject to the last two sentences of Section 2.5(c), the Lessee hereby agrees as follows:

(a) If there shall occur a Recapture Event (as defined below) prior to the completion of the Project and occupancy of the Facility for its intended purposes by the Lessee, the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, all Benefits (as defined below).

(b) If there shall occur a Recapture Event after the Substantial Completion Date (as defined below), the Lessee shall pay to the Agency as a return of public benefits conferred by the Agency, the following amounts:

(i) one hundred per cent (100%) of the Benefits, if the Recapture Event occurs within the first (6) years after the Substantial Completion Date;

(ii) eighty per cent (80%) of the Benefits, if the Recapture Event occurs during the seventh (7th) year after the Substantial Completion Date;

(iii) sixty per cent (60%) of the Benefits, if the Recapture Event occurs during the eighth (8th) year after the Substantial Completion Date;

(iv) forty per cent (40%) of the Benefits, if the Recapture Event occurs during the ninth (9th) year after the Substantial Completion Date; or

(v) twenty per cent (20%) of the Benefits, if the Recapture Event occurs during the tenth (10th) year after the Substantial Completion Date.

The term "Benefits" shall mean, collectively, any Sales Tax Savings and any savings resulting from any exemption from filing and recording fees relating to the filing and or recording of Security Documents or any Financing Statements related thereto.

The term "Recapture Event" shall mean any of the following events:

1. The Lessee shall have liquidated its operations and/or assets or shall have ceased all or substantially all of its operations at the Facility (whether by relocation to another facility or otherwise, or whether to another facility either within or outside of the City) if within the City, without prior written consent of the Agency;

2. The Lessee shall have leased all or any portion of the Facility in violation of the limitations imposed by Section 9.3 hereof, without the prior written consent of the Agency;

3. The Lessee shall have effected substantial changes in the scope and nature of the Lessee's operations at the Facility such that the Facility or any portion thereof is not being operated as a qualified "project" under the Act;

4. The Lessee shall have transferred all or substantially all of its employees located at the Facility to a location outside of the City; or

5. The Lessee shall have sold, leased, transferred or otherwise disposed of all or substantially all of its interest in the Facility except as provided in Section 6.1 or Section 9.3.

The term "Substantial Completion Date" shall mean the date stated in a certificate of an Authorized Representative of the Lessee delivered pursuant to Section 2.2 hereof, after the Project has been substantially completed in accordance with such Section, and upon which date the Facility shall have commenced operations at substantially the level intended; provided, however, that the "Substantial Completion Date", as defined herein, shall be in any event deemed to occur no later than August 31, 2010 regardless of whether or not the Authorized Representative of the Lessee has delivered such certificate to the Agency.

Notwithstanding the foregoing, a Recapture Event shall not be deemed to have occurred if the Recapture Event shall have arisen as a direct, immediate result of (i) a taking or condemnation by governmental authority of all or substantially all of the Facility, or (ii) the inability at law of the Lessee to rebuild, repair, restore or replace the Facility after the occurrence of a Loss Event to substantially its condition prior to such

Loss Event, which inability shall have risen in good faith through no fault on the part of the Lessee.

(c) The Lessee covenants and agrees to furnish the Agency with written notification upon any Recapture Event occurring within ten (10) years of the Substantial Completion Date, which notification shall set forth the terms thereof.

(d) The provisions of this Section 8.7 shall survive the termination of the IDA Lease Agreement for any reason whatsoever, notwithstanding any provision of the IDA Lease Agreement to the contrary.

## ARTICLE IX

### Miscellaneous

Section 9.1. Indenture; Amendment. The Lessee shall have and may exercise all the rights, powers and authority stated to be in the Lessee in the Indenture and in the Bonds, and the Indenture and the Bonds shall not be modified, altered or amended in any manner without the written consent of the Lessee.

Section 9.2. Force Majeure. In case by reason of force majeure either party hereto shall be rendered unable wholly or in part to carry out its obligations under the IDA Lease Agreement, then except as otherwise expressly provided in the IDA Lease Agreement, if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than the obligations of the Lessee to make the rental payments or other payments required under the terms hereof, or to comply with Sections 4.4, 6.2, 6.3, 6.5, 6.6, 6.7, 6.17 or 9.18 hereof), so far as they are affected by such force majeure, shall be suspended during the continuance of the inability then claimed which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, terrorism, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be fulfilled even though such existing or impending strikes, lockouts and other industrial disturbances may not be settled but could have been settled by acceding to the demands of the opposing person or persons.

Section 9.3. Assignment or Sublease.

(a) The Lessee shall not sublet nor permit to be sublet all or substantially all of the Facility, without the prior written consent of the Agency (which consent shall not be unreasonably withheld or delayed). No consent of the Agency shall be required for any subletting by the Lessee of less than all or substantially all of the Facility.

(b) No consent of the Agency shall be required for any assignment or transfer of the IDA Lease Agreement by operation of, and effected in accordance with the requirements of, Section 6.1 hereof.

(c) Any assignment or transfer of the IDA Lease Agreement (other than as referred to in clause (b) above) shall require the prior written consent of the Agency which consent shall not be unreasonably withheld or delayed.

(d) With respect to any subletting in whole or in part of the Facility, the Lessee shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of the IDA Lease Agreement and of the Leasehold Mortgage or any other Security Document to which it shall be a party.

(e) With respect to any assignment or transfer of the IDA Lease Agreement for which no consent of the Agency shall be required as above provided, or for which consent of the Agency shall be both required and have been given, such assignee or transferee of the Lessee shall assume in writing and agree to keep and perform all of the terms of the IDA Lease Agreement on the part of the Lessee to be kept and performed from the date of original execution and delivery of the IDA Lease Agreement.

(f) In addition to the conditions set forth above for any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer of the IDA Lease Agreement referred to in clause (b) above), or any subletting in whole or in part of the Facility, the following conditions, as applicable, shall also apply:

(i) any sublessee and any assignee or transferee of the IDA Lease Agreement shall in each case be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State,

(ii) in the case of any assignment or transfer, there shall be delivered to the Agency and the Trustee (y) a Favorable Opinion of Bond Counsel and (z) an Opinion of Counsel to the assignee or transferee of the IDA Lease Agreement to the effect that such Person has duly and validly assumed all obligations of the Lessee under the IDA Lease Agreement and that such assumption constitutes the valid and binding obligation of such Person enforceable against such Person in accordance with its terms,

(iii) in the case of any sublease in whole of the Facility, there shall be delivered to the Agency and the Trustee (y) an Opinion of Counsel to American Airlines, Inc. to the effect that the IDA Lease Agreement continues in full force and effect as the legal, valid and binding obligation of American Airlines, Inc. enforceable against

American Airlines, Inc. in accordance with its terms, and (z) a Favorable Opinion of Bond Counsel,

(iv) any assignee, transferee or sublessee shall agree to use the Facility as a qualified "project" within the meaning of the Act,

(v) any assignment, transfer or sublease shall not violate any provision of the Basic Lease, the PA Lease, the Company Sublease, the Consent Agreement, the ATL, the RNDA, City-American Lease (if then effective), the IDA Lease Agreement, the Leasehold Mortgage or any other Security Document,

(vi) in the case of any sublease, such sublease shall in no way diminish or impair the Lessee's obligation to carry the insurance required under Section 4.4 of the IDA Lease Agreement,

(vii) in the case of any assignment, transfer or sublease in whole, there shall have been delivered to the Trustee written evidence from each Rating Agency by which the Bonds are then rated to the effect that such action will not result in the reduction or withdrawal of the then applicable rating(s) on the Bonds, and

(viii) at least ten (10) Business Days prior to the execution of any proposed assignment, transfer or sublease, the Lessee shall furnish to the Agency a substantially final draft of same, and, after execution thereof, shall then furnish a copy of such executed document.

Any consent by the Agency to any act of assignment, transfer or sublease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Lessee, or the successors or assigns of the Lessee, to obtain from the Agency, to the extent required hereunder, consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency under the foregoing covenant by the Lessee.

Notwithstanding any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer of the IDA Lease Agreement referred to in clause (b) above), the assigning or transferring Lessee shall not be released from its obligations to make rental payments pursuant to Section 3.4 of the IDA Lease Agreement unless 100% of the Holders of Outstanding Bonds shall have consented to such release.

Section 9.4. Separate Leases for Tax Purposes. The Leased Facilities and each unit of Facility Equipment constituting Financed Property shall be deemed solely for tax purposes to be the subject of a separate lease from each other item, each such separate lease to be identical to the IDA Lease Agreement, insofar as the Lessee relates to that property to the end that any invalidity or termination of the IDA Lease Agreement shall affect only that item of property, and the IDA Lease Agreement will remain valid with respect to the balance of the Facility. For all purposes other than tax purposes, this Lease shall be treated as a single lease of the Leased Facilities and each unit of Facility Equipment leased hereunder.

Section 9.5. Benefit of and Enforcement by Trustee. The Agency and the Lessee agree that the IDA Lease Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Bonds, and accordingly all covenants and agreements on the part of the Agency and the Lessee (except to the extent of any of the Agency's Reserved Rights that are stated in the Indenture to be enforceable only by the Agency) as set forth in the IDA Lease Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in Article VIII of the Indenture on behalf of the Bondholders by the Trustee.

Section 9.6. Amendments. The IDA Lease Agreement may be amended only in accordance with the provisions of the Indenture and only by written instrument executed by the Agency and the Lessee.

Section 9.7. Notices. All notices, certificates or other communications hereunder shall be sufficient if sent by registered or certified United States mail, postage prepaid, addressed, if to the Agency, to the Chairman, New York City Industrial Development Agency, 110 William Street, New York, New York 10038 with a copy to the Executive Director of the Agency at the same address, if to the Lessee, to American Airlines, Inc., P.O. Box 619616, MD 5566, DFW Airport, Texas 75261-9616, Attention: Treasurer, and if to the Trustee, to The Bank of New York, Corporate Trust Administration, 101 Barclay Street, New York, New York 10286. The Agency, the Lessee and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Any notice, certificate or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given as of the date it shall have been mailed in the manner set forth above.

Section 9.8. Prior Agreements Superseded. The IDA Lease Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral (other than any Security Documents), between the Agency and the Lessee relating to the Facility.

Section 9.9. Severability. If any clause, provision or section of the IDA Lease Agreement be ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining provisions hereof.

Section 9.10. Inspection of Facility. The Lessee will further permit the Agency, or its duly authorized agent, at all reasonable times to enter upon the Facility but solely for the purpose of assuring that the Lessee is operating the Facility, or is causing the Facility to be operated, as a qualified "project" under the Act consistent with the purposes set forth in the recitals to the IDA Lease Agreement and with the public purposes of the Agency, and not for any purpose of assuring the proper maintenance or repair of the Facility as such latter obligation is and shall remain solely the obligation of the Lessee.

Section 9.11. Effective Date; Counterparts. The IDA Lease Agreement shall become effective upon its delivery. It may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.12. Binding Effect. The IDA Lease Agreement shall inure to the benefit of, and shall be binding upon, the Agency, the Lessee and their respective successors and assigns.

Section 9.13. Net Lease. It is the intention of the parties hereto that the IDA Lease Agreement be a "net lease" and that all of the rent be available for debt service on the Bonds, and the IDA Lease Agreement shall be construed to effect such intent.

Section 9.14. Law Governing. THE IDA LEASE AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF. NOTHING CONTAINED IN THIS SECTION 9.14 SHALL AFFECT THE RIGHT OF ANY PARTY TO COMMENCE ANY ACTION, SUIT OR PROCEEDING IN CONNECTION WITH ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THE IDA LEASE AGREEMENT OR ANY ALLEGED BREACH HEREOF IN ANY COURT OF COMPETENT JURISDICTION.

Section 9.15. Investment of Funds. Any moneys held as part of the Rebate Fund, the Project Fund or the Bond Fund or in any special fund provided for in the IDA Lease Agreement or in the Indenture to be invested in the same manner as in any said Fund shall, at the written request of an Authorized Representative of the Lessee, be invested and reinvested by the Trustee as provided in the Indenture (but subject to the provisions of the Applicable Tax Certificate). Neither the Agency nor the Trustee nor any of their members, directors, officers, agents, servants or employees shall be liable for any depreciation in the value of any such investments, reinvestments or liquidations of investments or for any loss, fee, tax or other charge arising therefrom.

Interest and profit derived from such investments shall be credited and applied as provided in the Indenture, and any loss resulting from such investments shall be similarly charged.

Section 9.16. References to Credit Facility Provider Ineffective During Certain Periods and Under Certain Other Circumstances. During any period of time (1) in which (i) no Credit Facility is in effect and (ii) no amounts secured by the Indenture remain unpaid to a Credit Facility Provider, or (2) a Credit Facility Provider wrongfully dishonors or defaults upon its obligation to provide liquidity or credit support for a Series of Bonds submitted in accordance with such Credit Facility, references in the IDA Lease Agreement to such Credit Facility Provider shall be ineffective.

Section 9.17. Waiver of Trial by Jury. The parties do hereby expressly waive all rights to trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of the IDA Lease Agreement or the Facility or any matters whatsoever arising out of or in any way connected with the IDA Lease Agreement.

The provision of the IDA Lease Agreement relating to waiver of a jury trial shall survive the termination or expiration of the IDA Lease Agreement.

Section 9.18. No Recourse under the IDA Lease Agreement or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the

IDA Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installments, redemption premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

Section 9.19. Acknowledgment of the Leasehold Mortgage. The Agency hereby acknowledges and consents to the Leasehold Mortgage.

Section 9.20. Date of Agreement for Reference Purposes Only. The date of the IDA Lease Agreement shall be for reference purposes only and shall not be construed to imply that the IDA Lease Agreement was executed on the date first above written. The IDA Lease Agreement was executed and delivered on the date of original issuance and delivery of the Series 2002A Bonds.

IN WITNESS WHEREOF, the Agency has caused its corporate name to be hereunto subscribed by its duly authorized Chairman, Vice Chairman, Executive Director or Deputy Executive Director and the Lessee has caused its corporate name to be subscribed hereto pursuant to a resolution duly adopted by its Board of Directors, such execution by each such party being done as of the year and day first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By _____
Carolyn A. Edwards
Deputy Executive Director

AMERICAN AIRLINES, INC.,
as Lessee

By Leslie M Benners
Leslie M. Benners
Managing Director
Corporate Finance and Banking

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 29th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Judith A. Capolongo
~~Notary Public~~

JUDITH A. CAPOLONGO
Commissioner of Deeds, City of New York
No. 5-1425
Cert. Filed in New York County
Commission Expires October 23, 2003

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Leslie M. Benners, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in his capacity, and that by ~~his~~ her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ Putnam County
Commission Expires Dec. 29, 2002

# EXHIBITS

EXHIBIT A

Form of Equipment Schedule

EQUIPMENT SCHEDULE dated as of _____, 20__ between New York City Industrial Development Agency, as "Lessor", and American Airlines, Inc., as "Lessee".

Lessor and Lessee have heretofore entered into that certain IDA Lease Agreement dated as of July 1, 2002 (such IDA Lease Agreement, as amended and supplemented, the "Lease"). The Lease provides for the execution and delivery of Equipment Schedules substantially in the form hereof for the purpose of delivering Facility Equipment under and pursuant to, and subjecting Facility Equipment to, the terms of the Lease. All defined terms used herein shall have the same respective meanings as given such terms in the Lease, unless otherwise indicated herein.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Lease, and Lessee hereby accepts and leases from Lessor under and pursuant to the Lease, the Facility Equipment described in Annex I hereto.

2. This Equipment Schedule shall be deemed a supplement to, and shall be made a part of, the Lease for all purposes.

3. This Equipment Schedule may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Equipment Schedule to be executed by their duly authorized representatives as of the date and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By:_____
Name:_____
Title:_____

AMERICAN AIRLINES, INC.

By:_____
Name:_____
Title:_____

Annex 1 to
Equipment Schedule 1

| Description of the Facility Equipment | Equipment Cost |
| --- | --- |
| [Description of the Facility Equipment]<br>[Describe all similar units of property to be placed in service on or about the same date, having the same Residual Interest Possession Date and having the same Primary Term] | [Cost] |

Initial Location:
John F. Kennedy Airport
Queens, New York

Acceptance Date:
Termination of Primary Term: [To be determined at discretion of Lessee]
Residual Interest Possession Date: [Not in excess of 80% of expected economic life]

[Repeat the above for other groups of Facility Equipment to be included on this Schedule]

Rental Allocation Schedule:

[Set forth the IDA Lease Agreement rental payments allocable to each unit, or class of units of Facility Equipment so that (i) the aggregate amount so allocated is equal to the amount described in Section 3.5 of the IDA Lease Agreement, and (ii) the allocation is as authorized by the appropriate representative of the Lessee.]

Form of Facility Improvements Schedule

FACILITY IMPROVEMENTS SCHEDULE dated as of _____, 20__ between New York City Industrial Development Agency, as "Lessor", and American Airlines, Inc., as "Lessee".

Lessor and Lessee have heretofore entered into that certain IDA Lease Agreement dated as of July 1, 2002 (such IDA Lease Agreement, as amended and supplemented, the "Lease"). The Lease provides for the execution and delivery of Facility Improvements Schedules substantially in the form hereof for the purpose of improving the Leased Premises under and pursuant to, and subjecting Facility Improvements to, the terms of the Lease. All defined terms used herein shall have the same respective meanings as given such terms in the Lease, unless otherwise indicated herein.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Lease, and Lessee hereby accepts and leases from Lessor under and pursuant to the Lease, the Facility Improvements described in Annex I hereto.

2. This Facility Improvements Schedule shall be deemed a supplement to, and shall be made a part of, the Lease for all purposes.

3. This Facility Improvements Schedule may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Facility Improvements Schedule to be executed by their duly authorized representatives as of the date and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By:_____
Name:_____
Title:_____

AMERICAN AIRLINES, INC.

By:_____
Name:_____
Title:_____

Annex 1 to
Facility Improvements Schedule 1

| Description of the Facility Improvements | Facility Improvements Cost |
| --- | --- |
| [Description of the Facility Improvements] | [Cost] |

Initial Location:
John F. Kennedy Airport
Queens, New York

Acceptance Date:
Termination of Primary Term: [To be determined at discretion of Lessee]
Residual Interest Possession Date: [Not in excess of 80% of expected economic life]

[Repeat the above for other groups of Facility Improvements to be included on this Schedule]

Rental Allocation Schedule:

[Set forth the IDA Lease Agreement rental payments allocable to each unit, or class of units of Facility Improvements so that (i) the aggregate amount so allocated is equal to the amount described in Section 3.5 of the IDA Lease Agreement, and (ii) the allocation is as authorized by the appropriate representative of the Lessee.]

# Legal Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto.

# APPENDIX A

## Definitions

# APPENDIX A

## DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean 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 accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean 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.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

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

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (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 Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean 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 authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, 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 the Lessee 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 Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond 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) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean $18,600,000.

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, 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.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

*provided, however*, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens 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 Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease 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 normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(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, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease 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 liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-l by Moody's and at least A-l by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, 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.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean 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 Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

APPENDIX B

**ST-340**

(10/99)

New York State Department of Taxation and Finance

# Annual Report of Sales and Use Tax Exemption Claimed by Agent/Project Operator of Industrial Development Agency/Authority (IDA)

For Period Ending December 31, _____(enter year)

## Project Information

| | | |
|---|---|---|
| Name of IDA agent/project operator | | Federal employer identification number (EIN) |
| Street address | | Telephone number |
| City | State | Zip code |
| Name of IDA agent/project operator's authorized representative, if any | | Title |
| Street address | | Telephone number |
| City | State | Zip code |
| Name of IDA | | |
| Street Address | | |
| City | State | Zip code |
| Name of project | | Project number |
| Street address of project site | | |
| City | State | Zip code |

1. Project purpose: 0 Services 0 Construction 0 Agriculture, forestry, fishing
   0 Wholesale trade 0 Retail trade 0 Finance, insurance or real estate
   0 Transportation, communication, electric, gas or sanitary services
   0 Manufacturing 0 Other (*specify*) _____

2. Date project began:_____/_____/_____
   MM DD YY

3. Beginning date of construction or installation (actual or expected):_____/_____/_____
   MM DD YY

4. Completion date of construction phase of project (actual or expected):_____/_____/_____
   MM DD YY

5. Completion date of project (actual or expected):_____/_____/_____
   MM DD YY

6. Duration of project (years/months; actual or expected):_____/_____/_____
   Years DD Months

| | | | |
|---|---|---|---|
| 7. Total sales and use tax exemptions (actual tax savings; NOT total purchases) . . . . . | 7 | $ | |
| Print name of officer, employee, or authorized representative signing for the IDA agent/project operator | | Title of person signing | |
| Signature | | Date | |

**Failure to file a complete report annually may result in the removal of authority to act as an IDA agent/project operator.**

Mail completed report to: **NYS TAX DEPARTMENT, IDA UNIT, BLDG 8 RM 658, W A HARRIMAN CAMPUS, ALBANY NY 12227.**

# General Information

## Who must file?

The General Municipal Law (GML) and the Public Authorities Law require the agent/project operator (also known *as project occupant*) of an Industrial Development Agency or Authority (IDA) to file an annual report with the New York State Department of Taxation and Finance. The agent/project operator required to file this report is the person directly appointed by the IDA to act for and to represent the IDA for the project. The agent/project operator is ordinarily the one for whom the IDA project was created.

There is usually only one agent/project operator directly appointed by the IDA for an IDA project. However, if the IDA directly appoints multiple agents/project operators, each agent/project operator must file this form (unless they are related corporations).

Only the agent/project operator(s) directly appointed by the IDA must file Form ST-340. Contractors, subcontractors, consultants, or agents appointed by the agent/project operator(s) are not required to file Form ST-340.

## What must be reported?

The report must show the total value of all state and local sales and use taxes exempted during the calendar year, as a result of the project's designation as an IDA project. This includes:

- the value of the exemptions obtained by the agent/project operator, and
- the value of the exemptions obtained by your contractors, subcontractors, consultants, and others, whether or not appointed as agents of the IDA.

The report requires only the total combined exemptions obtained by the above people. A break down of the total is not required. However, since the report must include the value of the exemptions they obtained, the agent/project operator must keep records of the amounts others report to the agent/project operator.

It is important that the agent/project operator make it clear to the contractors, subcontractors, consultants, and others that they must keep accurate tax information and have it available so that the agent/project operator can comply with the annual reporting requirements.

Do not include in this report the amount of any sales and use tax exemptions arising out of other provisions of the Tax Law (for example, manufacturer's production equipment exemption, research and development exemption, or contractor's exemption for tangible personal property incorporated into a project of an exempt organization).

See instructions below for additional information required.

## When is the report due?

You must file Form ST-340 on a calendar-year basis. It is due by the last day of February of the following year. The reporting requirement applies to IDA projects started on or after July 21, 1993.

### Need help?

Telephone assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday.
Tax information: 1 800 972–1233
Forms and publications: 1 800 462-8100
From outside the U.S. and outside Canada: (518) 485–6800
Fax-on-demand forms: 1 800 748–3676
Internet access: http://www.tax.state.ny.us
Hearing and speech impaired (telecommunications device for the deaf (TDD) callers only): 1 800 634–2100 (8:30 a.m. to 4:25 p.m., eastern time)

Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225–5829.

If you need to write, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, Taxpayer Correspondence, W. A. Harriman Campus, Albany, NY 12227.

## Project information

At the top of the form, identify the reporting period by entering the year in the space provided. If an address is required, always include the ZIP code.

### Name of IDA agent/project operator

Enter the name, address, federal employer identification number (EIN), and telephone number of the IDA agent/project operator.

### Name of IDA agent/project operator's authorized representative

Enter the name, address, title, and telephone number of the individual (e.g. attorne or accountant) authorized by the IDA agent/project operator to submit this report.

### Name of IDA

Enter the name and address of the IDA. If more than one IDA is involved in a particular project, the IDA agent/project operator must file a separate report for the tax exemptions attributable to each IDA.

### Name of Project

Enter the name of the project and the address of the project site. If the IDA agent i involved in more than one project, a separate report must be filed by the IDA agent/project operator for each project, even if authorized by the same IDA.

## Line instructions

**Line 1 – Project purpose** – Check the box that identifies the purpose of the projec If you check *Other,* please be specific in identifying its purpose.

**Line 2** – Enter the date the project started (this means the earliest of the date of ar bond or inducement resolution, the execution of any lease, or any bond issuance). Include month, day, and year.

**Line 3** – Enter the date on which you, or your general contractor or subcontractor, actually began or expect to begin construction or installation on the project. If the project does not involve any construction, enter ***Does not apply.***

**Line 4** – Enter the date the construction phase of the project was completed. If it has not been completed by the end of the reporting period, enter the date you expe to complete this phase of the project.

**Line 5** – Enter the date on which installation, lease, or rental of property (for example, machinery or computers) on the project ended. If the project was not completed by the end of the reporting period, enter the date the project is expectec to be completed.

**Line 6** – Enter the total number of years and months from the project's inception to its completion or expected completion.

**Line 7** – Enter the total amount of New York State and local sales and compensati use taxes exempted during the reporting period (if none, enter "0") as a result of th project's receipt of IDA financial assistance. This includes exemptions obtained at the time of purchase as well as through a refund or credit of tax paid. Include the sales and use taxes exempted on purchases of property or services incorporated into or used on the exempt project. This includes the taxes exempted on purchase made by or on behalf of the agent/project operator, the general contractor for the project, and any subcontractors, consultants, or others. Do not enter total purchas on line 7.

## Signature area

Enter the name and title of the person signing on behalf of the IDA agent/project operator (for example, the IDA agent/project operator's officer, employee, or other authorized representative). The IDA agent/project operator's officer, employee, or authorized representative must sign the report. Enter the date signed.

Mail completed report to: NYS Tax Department, IDA Unit, Bldg. 8 Rm 658, W. A. Harriman Campus, Albany, NY 12227.

### Privacy notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions, and forms, is found in Articles 8, 28, and 28-A of the Ta Law; and 42 USC 405(c)(2)(C)(i).

The Tax Department uses this information primarily to determine and administer sales and use taxes or liabilities under the Tax Law, and for any other purpose authorized by law.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of the Registration and Data Services Bureau, NYS Tax Department, Building 8 Room 924, W. A. Harriman Campus, Albany, NY 12227; telephone 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.

# Annual Employment Report

For the Year Ending June 30, ____

In order to comply with Local and State employment reporting requirements, the New York City Industrial Development Agency must require all of its project companies to complete and return the Report to the Agency no later than August 1, ____.

_____

_____

_____

**Telephone #** _____

**Tax ID #** _____

Please provide information as of June 30th of jobs at the Project Location(s). Do not include any subcontractors and consultants. Include only employees and owners/principals on your payroll at the Project Location.

**Number of existing FULL TIME JOBS**

_____

**Number of existing PART TIME JOBS**

_____

Certification: I, the undersigned, hereby certify to the best of my knowledge and belief, that all information contained in this report is true and complete, and that I understand it is submitted pursuant to agreement. The Company hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the New York City Industrial Development Agency (the "Agency") and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under DOL's control which is pertinent to the Company and the Company's employees. In addition, upon the Agency's request, the Company shall provide to the Agency any employment information in the Company's possession which is pertinent to the Company and the Company's employees. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Company itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this transaction.

**Name of Company**
**Principal/Owner/Chief Financial Officer** _____ **(Please Print)**

**Signature** **Date**

***If you have any questions, please call the Compliance Helpline at (212) 312-3963***

***Please submit the completed form to:*** *New York City Industrial Development Agency*
*110 William Street, New York, NY 10038*
*Attention: Compliance Unit*

# Annual Employment Report

FOR BOND REDEMPTIONS AND TERMINATIONS

In order to comply with Local and State employment reporting requirements, The New York City Industrial Development Agency must require all of its project companies to complete and return the Annual Employment Report.

**Project Company & Project Location(s)** (use additional sheet if necessary)

**Telephone #** _____

**Tax ID #** _____

Please provide your most current employment figures at the Project Location(s) listed above. Do not include any subcontractors and consultants. Include only employees and owners/principals on your payroll at the Project Location(s).

**Number of existing FULL TIME JOBS** _____

**Number of existing PART TIME JOBS** _____

**Date of job information (Month/Day/Year)** _____

Certification: I, the undersigned, hereby certify to the best of my knowledge and belief, that all information contained in this report is true and complete, and that I understand it is submitted pursuant to agreement. The Company hereby authorizes any private or governmental entity, including but not limited to The New York State Department of Labor ("DOL"), to release to the New York City Industrial Development Agency (the "Agency") and/or to the New York City Economic Development Corporation ("EDC"), and/or to the successors and assigns of either (collectively, the "Information Recipients"), any and all employment information under DOL's control which is pertinent to the Company and the Company's employees. In addition, upon the Agency's request, the Company shall provide to the Agency any employment information in the Company's possession which is pertinent to the Company and the Company's employees. Information released or provided to Information Recipients by DOL, or by any other governmental entity, or by any private entity, or by the Company itself, or any information previously released as provided by all or any of the foregoing parties (collectively, "Employment Information") may be disclosed by the Information Recipients in connection with the administration of the programs of the Agency, and/or EDC, and/or the successors and assigns of either, and/or the City of New York, and/or as may be necessary to comply with law; and, without limiting the foregoing, the Employment Information may be included in (x) reports prepared by the Information Recipients pursuant to New York City Local Law 69 of 1993, (y) other reports required of the Agency, and (z) any other reports required by law. This authorization shall remain in effect throughout the term of this Lease.

**Name of Company** _____

**Principal/Owner/Chief Financial Officer** _____ (Please Print)

**Signature** _____ **Date** _

*If you have any questions, please call the Compliance Helpline at (212) 312-3963*

# BENEFITS REPORT

## SALES TAX BENEFITS - *not applicable* ☐.

**Machinery & Equipment**

Purchase Cost: $ _____

Sales Tax Benefits: $ _____

NPV of Benefits*: $ _____

**Tenant Improvements**

Purchase Cost: $ _____

Sales Tax Benefits: $ _____

NPV of Benefits*: $ _____

**Other** *(please specify)* _____

Purchase Cost: $ _____

Sales Tax Benefits: $ _____

NPV of Benefits*: $ _____

**Other** *(please specify)* _____

Purchase Cost: $ _____

Sales Tax Benefits: $ _____

NPV of Benefits*: $ _____

**Total Purchase Costs:** $ _____
**Total Sales Tax Benefits:** $ _____
**Discount Rate Percentage:** _____ %
**Total NPV of Sales Tax Benefits*:** $ _____

## BUSINESS INCENTIVE RATE - *not applicable* ☐.

Normal Rate: $ _____
Incentive Rate: $ _____
Savings: $ _____

*Company (please print):* _____

*Authorized Signature:* _____

*Title:* _____ *Date:* _____

* *if applicable*

APPENDIX E

# 20__ subtenant survey

In order to verify compliance with Section 9.3 of your Lease Agreement, please list all subtenants occupying space in your facility and the corresponding information in complete form by **JANUARY 1, 20__.**

***IMPORTANT FOR PILOT RECIPIENTS***

FAILURE TO SUPPLY THIS INFORMATION BY THE ABOVE STATED DUE DATE WILL CONSTITUTE AN EVENT OF DEFAULT PURSUANT TO SECTION 7.1 OF THE LEASE AGREEMENT AND YOUR COMPANY MAY BE SUBJECT TO A TERMINATION OF THE PILOT BENEFITS.

| Subtenant | Floor | Square Feet Leased | Lease Begins | Lease Ends |
|---|---|---|---|---|

*I, the undersigned hereby certify to the best of my knowledge and belief, that the information reported above is true and complete. I understand that this information is submitted pursuant to the requirements of the IDA Lease Agreement.*

Name: _____ Title: _____

Signature: _____ Date: _____

**Please mail this form to the address below, ATTENTION: COMPLIANCE UNIT**

**Execution Copy**

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

---

# MASTER INDENTURE OF TRUST

---

Dated as of July 1, 2002

New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)

## TABLE OF CONTENTS


| | | Page |
|---|---|---|
| ARTICLE I | DEFINITIONS | 5 |
| SECTION 1.01 | Definitions | 5 |
| SECTION 1.02 | Construction | 5 |
| SECTION 1.03 | Indenture Constitutes Contract | 6 |
| ARTICLE II | AUTHORIZATION AND ISSUANCE OF BONDS | 6 |
| SECTION 2.01 | Authorized Amount of Bonds; Pledge Effected by the Indenture. | 6 |
| SECTION 2.02 | Provisions for the Issuance of Bonds | 8 |
| SECTION 2.03 | Supplemental Indentures | 10 |
| SECTION 2.04 | Limitation of Agency's Liability | 13 |
| ARTICLE III | GENERAL TERMS AND PROVISIONS OF BONDS | 13 |
| SECTION 3.01 | Date of Bonds | 13 |
| SECTION 3.02 | Form and Denominations | 13 |
| SECTION 3.03 | Legends | 13 |
| SECTION 3.04 | Medium of Payment | 14 |
| SECTION 3.05 | Bond Details | 14 |
| SECTION 3.06 | Interchangeability, Transfer and Registry | 14 |
| SECTION 3.07 | Bonds Mutilated, Destroyed, Stolen or Lost | 15 |
| SECTION 3.08 | Cancellation of Bonds | 15 |
| SECTION 3.09 | Requirements With Respect to Transfers | 15 |
| SECTION 3.10 | Bond Registrar | 16 |
| SECTION 3.11 | Temporary Bonds | 16 |
| SECTION 3.12 | Book-Entry Bonds | 16 |
| SECTION 3.13 | Tender of Bonds | 17 |
| SECTION 3.14 | CUSIP Numbers | 17 |
| ARTICLE IV | APPLICATION OF BOND PROCEEDS | 18 |
| SECTION 4.01 | Application of Bond Proceeds | 18 |
| ARTICLE V | CUSTODY AND INVESTMENT OF FUNDS | 18 |
| SECTION 5.01 | Creation of Funds and Accounts | 18 |
| SECTION 5.02 | Project Fund | 19 |
| SECTION 5.03 | [RESERVED]. | 21 |
| SECTION 5.04 | Lease Payments Fund | 21 |
| SECTION 5.05 | Payments into Bond Fund | 22 |
| SECTION 5.06 | Application of Bond Fund | 22 |
| SECTION 5.07 | Debt Service Reserve Fund | 25 |
| SECTION 5.08 | Payments into Rebate Fund; Application of Rebate Fund | 27 |
| SECTION 5.09 | Direction Necessary for Transfers to Rebate Fund | 28 |
| SECTION 5.10 | Investment of Funds and Accounts | 28 |
| SECTION 5.11 | Moneys to be Held in Trust | 29 |
| SECTION 5.12 | Repayment to the Lessee from the Funds | 29 |
| SECTION 5.13 | Mortgage Reserve Fund | 29 |
| ARTICLE VI | REDEMPTION OF BONDS | 31 |
| SECTION 6.01 | Privilege of Redemption and Redemption Price | 31 |

SECTION 6.02 Selection of Bonds to be Redeemed ....31
SECTION 6.03 Notice of Redemption ....32
SECTION 6.04 Payment of Redeemed Bonds; Certain Consequences of Redemption and Defeasance ....33
ARTICLE VII PARTICULAR COVENANTS ....34
SECTION 7.01 Agency's Obligations Not to Create a Pecuniary Liability ....34
SECTION 7.02 Payment of Principal and Interest ....34
SECTION 7.03 Performance of Covenants; Authority ....35
SECTION 7.04 Books and Records; Certificate as to Defaults ....35
SECTION 7.05 IDA Lease Agreement ....35
SECTION 7.06 Creation of Liens; Indebtedness; Sale of Facility ....36
SECTION 7.07 Instruments of Further Assurance ....36
SECTION 7.08 Recording and Filing ....36
SECTION 7.09 Records Held by the Trustee ....37
SECTION 7.10 Certain Acknowledgements ....37
SECTION 7.11 Trustee's Obligations under the IDA Lease Agreements and Leasehold Mortgage ....37
ARTICLE VIII EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS ....38
SECTION 8.01 Events of Default; Acceleration of Due Date. ....38
SECTION 8.02 Enforcement of Remedies ....40
SECTION 8.03 Application of Revenues and Other Moneys After Default ....41
SECTION 8.04 Actions by Trustee ....43
SECTION 8.05 Majority Bondholders Control Proceedings ....43
SECTION 8.06 Individual Bondholder Action Restricted ....43
SECTION 8.07 Effect of Discontinuance of Proceedings ....44
SECTION 8.08 Remedies Not Exclusive ....44
SECTION 8.09 Delay or Omission ....44
SECTION 8.10 Notice of Default ....44
SECTION 8.11 Waivers of Default ....45
SECTION 8.12 Limitation of Remedies ....45
ARTICLE IX TRUSTEE AND PAYING AGENTS ....46
SECTION 9.01 Appointment and Acceptance of Duties ....46
SECTION 9.02 Indemnity ....46
SECTION 9.03 Responsibilities of Trustee ....46
SECTION 9.04 Compensation ....48
SECTION 9.05 Evidence on Which Trustee May Act ....48
SECTION 9.06 Trustee and Paying Agents May Deal in Bonds ....49
SECTION 9.07 Resignation or Removal of Trustee ....49
SECTION 9.08 Successor Trustee ....49
SECTION 9.09 Resignation or Removal of Paying Agent; Successor ....51
SECTION 9.10 Appointment of Co-Trustee ....51
ARTICLE X DISCHARGE OF INDENTURE ....52
SECTION 10.01 Defeasance ....52
ARTICLE XI AMENDMENTS OF INDENTURE ....54
SECTION 11.01 Limitation on Modifications ....54
SECTION 11.02 Supplemental Indentures Without Bondholders' Consent ....54

SECTION 11.03 Supplemental Indentures With Bondholders' Consent....56
SECTION 11.04 Supplemental Indenture Part of the Indenture....57
SECTION 11.05 Consent of Facility Provider....57
SECTION 11.06 Rights of Lessee....58
ARTICLE XII AMENDMENTS OF RELATED SECURITY DOCUMENTS....58
SECTION 12.01 Amendments of Security Documents Not Requiring Consent of Bondholders....58
SECTION 12.02 Amendments of Security Documents Requiring Consent of Bondholders..58
SECTION 12.03 Consent of Facility Provider....59
ARTICLE XIII MISCELLANEOUS....59
SECTION 13.01 Evidence of Signature of Bondholders and Ownership of Bonds....59
SECTION 13.02 Money Held for Particular Bonds....60
SECTION 13.03 Notices....60
SECTION 13.04 Parties Interested Herein....61
SECTION 13.05 Partial Invalidity....61
SECTION 13.06 Counterparts....61
SECTION 13.07 Laws Governing Indenture....61
SECTION 13.08 No Pecuniary Liability of Agency or Members....61
SECTION 13.09 Payments Due on Saturdays, Sundays and Holidays....62
SECTION 13.10 Appendix Incorporated Herein....62
SECTION 13.11 Opinions....62
SECTION 13.12 Date for Reference Purposes Only....62

APPENDICES

APPENDIX A - Definitions....A-1
APPENDIX B - Form of Requisition....B-1

MASTER INDENTURE OF TRUST

THIS MASTER INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof, by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a banking corporation authorized to accept and execute trusts of the character herein set out, as Trustee under this Master Indenture of Trust (together with its successors in such capacity and its and their assigns hereafter appointed in the manner provided herein, the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") has been heretofore enacted by the Legislature of the State of New York for the purposes, among others, of providing for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York, to promote, develop, encourage, assist and advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living; and

WHEREAS, the Agency has been heretofore established under said Enabling Act pursuant to Chapter 1082 of the 1974 Laws of New York, as amended and is authorized to acquire real property and interests therein, buildings and other improvements thereon and machinery and equipment in connection therewith for the purposes set forth above, and to lease the same as herein more particularly described; and

WHEREAS, the Agency is further authorized by the Act (as defined herein) to issue its special obligation bonds payable solely from and secured by the revenues derived from the leasing of the land, buildings and other improvements and the machinery and equipment so acquired; and

WHEREAS, to accomplish its corporate purpose, the Agency has entered into negotiations with American Airlines, Inc. (the "Lessee"), a corporation organized and existing under and by virtue of the Laws of the State of Delaware and authorized to do business in the State of New York, to induce the Lessee to undertake a project consisting of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York (the "Airport"), and (ii) the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal, all to be

used and managed by the Lessee as a passenger facility located at the Airport in the Borough of Queens, City and State of New York; and

WHEREAS, the premises on which the Facility is to be located (i) are subject to the terms of an Agreement of Lease dated April 17, 1947, as amended and supplemented (the "Basic Lease"), between The City of New York (the "City"), as lessor, and The Port Authority of New York and New Jersey (the "Port Authority"), as lessee, and (ii) have been subleased by the Port Authority to the Lessee, pursuant to an Agreement of Lease entered into as of August 1, 1976 (Agreement No. AYB-085) as supplemented and amended and as further supplemented, amended, and restated in an Amended and Restated Lease Agreement No. AYB-085R dated as of December 22, 2000, between the Port Authority and the Lessee, as amended by Supplement No. 1 thereto and as the same may hereafter be further amended and supplemented (the "PA Lease"); and

WHEREAS, contemporaneously herewith the Leased Facilities are being sub-subleased to the Agency, as sublessee, by the Lessee, as sublessor, pursuant to a Company Sublease Agreement, dated as of July 1, 2002, between the Lessee and the Agency (as consented to by the Port Authority in a Consent to Subleases and Leasehold Mortgage Agreement dated as of July 31, 2002, by and among the Lessee, AMR Corporation, the Agency, the Trustee and the Port Authority (the "Consent Agreement")); and

WHEREAS, the Agency has determined that the Project is necessary to provide employment in, and is beneficial for the economy and prosperity of the inhabitants of, The City of New York and is reasonably necessary to induce the Lessee to proceed with the Project; and

WHEREAS, as a result of such negotiations the Agency has agreed to issue its New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) in one or more Series to finance a portion of the Project Costs; and

WHEREAS, contemporaneously with the execution of this Master Indenture, the Agency and the Lessee will enter into a IDA Lease Agreement of even date herewith which shall provide for the financing of a portion of the costs of the Project by the Agency and the leasing of the Facility to the Lessee; and

WHEREAS, the Agency, in order to provide funds for ongoing costs of the Project and for incidental and related costs thereto, will from time to time issue and sell subsequent to the issuance of the Series 2002 Bonds, Additional Bonds pursuant to the IDA Lease Agreement and Series Supplemental Indentures supplementing this Master Indenture of Trust; and

WHEREAS, the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on each Series of Bonds issued hereunder from time to time will be secured by a Guaranty from AMR to the Trustee and a separate Guaranty from the Lessee to the Trustee; and

WHEREAS, the payment of amounts due under the Guaranty shall be secured by a Leasehold Mortgage and Security Agreement from the Lessee and the Trustee pursuant to which

the Lessee shall grant to the Trustee as leasehold mortgagee a leasehold mortgage and security interest in the Lessee's leasehold interest in the PA Lease; and

WHEREAS, the Leasehold Mortgage shall not be effective, the lien created by the Leasehold Mortgage shall not attach, the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date; and

WHEREAS, the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds will be secured by an Equipment Security Agreement executed concurrently herewith pursuant to which the Agency and the Lessee will pledge and assign a security interest to the Trustee in, or in Lessee's leasehold interest in, certain Facility Equipment; and

WHEREAS, the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on certain Series of Bonds may from time to time be secured by a Credit Facility to be provided by a Credit Facility Provider pursuant to a Credit Facility Agreement between such Credit Facility Provider and the Lessee; and

WHEREAS, all things necessary to make the Bonds when authenticated by the Trustee and issued as in the Indenture provided, the valid, binding and legal special obligations of the Agency according to the import thereof, and to constitute this Master Indenture a valid pledge and assignment of the lease rentals, revenues and receipts herein made to the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments if any, of, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Master Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS MASTER INDENTURE WITNESSETH:

That the Agency in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders and owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure, in the following order of priority, first, the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds according to their tenor and effect and the performance and observance by the Agency of all the covenants expressed or implied herein and in the Bonds and, second, the payment to a Credit Facility Provider, if any, and the performance of the reimbursement and other obligations of the Lessee under any Credit Facility Agreement, does hereby grant, bargain, convey, transfer, grant a security interest in, pledge and assign unto The Bank of New York, as Trustee, and unto its respective successors in trust, and to its respective assigns, forever for the securing of the performance of the obligations of the Agency hereinafter set forth the following:

## GRANTING CLAUSES

I

All right, title and interest of the Agency in and to the IDA Lease Agreement, including, but not limited to, all lease rentals, revenues and receipts payable or receivable thereunder, excluding, however, the Agency's Reserved Rights, which Reserved Rights may be enforced by the Agency and the Trustee jointly or severally subject to the limitations contained in the IDA Lease Agreement and the Indenture. Notwithstanding the foregoing grant, the Trustee and the Agency acknowledge and agree that neither the Agency nor the Trustee (except as secured party under the Equipment Security Agreement or as Leasehold Mortgagee under the Leasehold Mortgage) pursuant to its rights hereunder have or shall have any rights to appoint a receiver for, right of entry or re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning or subletting of all or any part of the Facility.

II

All moneys and securities from time to time held by the Trustee under the terms of the Indenture (other than monies and securities held in the Rebate Fund or in any Bond Purchase Fund), and all investment earnings of any of the foregoing, subject to disbursements therefrom in accordance with the provisions of the IDA Lease Agreement and 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 any amounts held in any Account held in the Debt Service Reserve Fund for a Series of Bonds shall be pledged solely to such Series of Bonds; provided, further, that there is hereby expressly excluded from any assignment, pledge, lien or security interest granted to the Trustee any amounts set apart and transferred to the Rebate Fund or any Bond Purchase Fund.

III

Any and all other property of every kind and nature from time to time which was heretofore or hereafter is by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Agency or by any other person, firm or corporation with or without the consent of the Agency, to the Trustee with respect to any Series of Bonds which is hereby authorized to receive any and all such property at any time and at all times to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in trust and to them and their assigns forever for the benefit of the Holders of the Bonds;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, first, for the equal and proportionate benefit, security and protection of all Holders and owners of the Bonds issued under and secured by the Indenture without privilege, priority or distinction, except as otherwise expressly provided in the Indenture, and, second, for the benefit and security of each Credit Facility Provider with respect to the Lessee's obligations under the related Credit Facility

Agreement, provided further, however, that if the Agency, its successors or assigns, shall well and truly pay, or cause to be paid, the principal and any applicable redemption premium of all the Bonds Outstanding and the interest due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof and shall make the payments into the Bond Fund as required under the Indenture or shall provide as permitted hereby for the payment thereof by depositing or causing to be deposited with the Trustee sufficient amounts, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, and if the Lessee shall pay and perform or cause to be paid and performed all of its payments and other obligations under each Credit Facility Agreement, then upon such final payments the Indenture and the rights hereby granted shall cease, determine and be void; otherwise, the Indenture to be and remain in full force and effect.

THIS MASTER INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all the Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said lease rentals, revenues and receipts hereby pledged are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee, with the respective Holders and owners, from time of the Bonds or any part thereof, as follows:

## ARTICLE I
## DEFINITIONS

SECTION 1.01 Definitions. Terms not otherwise defined herein shall have the same meanings as set forth in Appendix A attached hereto and made a part hereof.

SECTION 1.02 Construction. (a) In this Master Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Master Indenture, refer to this Master Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Master Indenture.

(ii) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(iv) Any headings preceding the texts of the several Articles and Sections of this Master Indenture, and any table of contents appended to copies hereof, shall be

solely for convenience of reference and shall not constitute a part of this Master Indenture, nor shall they affect its meaning, construction or effect.

(b) Whenever the Agency is named or referred to, it shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Agency contained in the Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Agency, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

(c) Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Agency, the Trustee, the Bond Registrar, the Lessee, each Credit Facility Provider, the Paying Agents, each Tender Agent (if any), each Remarketing Agent (if any) and the Holders of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Registrar, the Lessee, each Credit Facility Provider, the Paying Agents, each Tender Agent (if any), each Remarketing Agent (if any) and the Holders of the Bonds.

SECTION 1.03 Indenture Constitutes Contract. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Holders of the Bonds, and the pledges made in the Indenture and the covenants and agreements herein set forth to be performed by the Agency shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

## ARTICLE II
## AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01 Authorized Amount of Bonds; Pledge Effected by the Indenture.

(a) There are hereby authorized Bonds of the Agency to be issued in multiple Series as hereinafter provided. No Bond of any Series may be authenticated and delivered under the Indenture except in accordance with this Article. Except as provided hereby, the total aggregate principal amount of Bonds of any Series that may be authenticated and delivered under the Indenture is limited to $2.3 billion.

(b) The proceeds of Bonds deposited in the Project Fund and certain of the lease rentals, receipts and revenues payable by the Lessee under the IDA Lease Agreement,

including moneys which are required to be set apart, transferred and pledged to the Bond Fund, to the Lease Payments Fund or to certain special funds (including the investments, if any, thereof) (subject to disbursements from such Funds in accordance with the provisions of the Indenture, and when so disbursed, such amounts shall be released automatically from the lien and security interest of the Indenture) are pledged by the Indenture for the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on the Bonds. Amounts on deposit in any Account held in the Debt Service Reserve Fund with respect to a Series of Bonds are pledged solely to secure the principal of and interest on the Bonds of such Series. Amounts in the Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person.

Except as may otherwise be expressly provided in the Indenture, each Series of Bonds shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and the interest thereon. Each Series of Bonds issued under the Indenture shall be secured by the Guaranty and the obligation of the Guarantor under the Guaranty will be secured by the Leasehold Mortgage; but as provided in Section 92, the Consent Agreement and the Leasehold Mortgage, the Leasehold Mortgage shall not attach, the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date. Each Series of Bonds issued hereunder shall be special obligations of the Agency, secured and payable (except to the extent payable out of proceeds from the sale of such Series of Bonds or the income from the temporary investments thereof) by the Agency solely out of the revenues or other receipts, funds or moneys pledged therefor pursuant to the Indenture and from any amounts otherwise available under the Indenture for the payment of such Bonds, from amounts payable under the Guaranty, from amounts payable under the Equipment Security Agreement and from amounts payable to the Trustee as Leasehold Mortgagee under the Leasehold Mortgage. The Bonds shall be additionally secured by a pledge and assignment of the Agency's right, title and interest in and to the IDA Lease Agreement (excluding Agency Reserved Rights) and except for the Equipment Security Agreement, shall not be secured by any other lien on or security interest or other possessory interest in the Facility or by any leasehold interest of the Port Authority, the Lessee or the Agency or any fee or leasehold interest of the City in the Facility. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement or shall otherwise default under the IDA Lease Agreement, and, as a result thereof, the principal of the Bonds is declared or becomes due and payable, none of the Agency, the Trustee (except as mortgagee under the Leasehold Mortgage and except as secured party under the Equipment Security Agreement), or any Holder of any of the Bonds or any Credit Facility Provider shall have any rights or remedies with respect to the Facility or leasehold interest of the Port Authority, the Agency or the Lessee or any fee or leasehold interest of the City but shall only have the rights under the IDA Lease Agreement (exclusive of Possessory Rights and Remedies and subject to Section 8.12 hereof) including the right to enforce against the Lessee the obligation of the Lessee to pay lease rental payments sufficient to enable the Agency to pay the principal of, Purchase Price, Redemption Price, Sinking Fund Installments, if any, of and interest on the Bonds and the right herein to realize upon any of the Funds. Except as set forth in Section 92 of the PA Lease and any corresponding

provision of the City-American Lease, neither the Port Authority nor the City shall have any obligation whatsoever with respect to the Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds or for any claim based thereon or hereunder against any such member, officer, director, employee or agent or against any natural person executing the Bonds.

The Bonds shall never constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds of the Agency other than those pledged therefor.

Any payments paid to the Trustee by the Lessee shall be deemed paid by the Agency and any payments made to the Lessee by the Trustee shall be deemed paid by the Trustee to the Agency and by the Agency to the Lessee.

SECTION 2.02 Provisions for the Issuance of Bonds. (a) So long as the IDA Lease Agreement is in effect, one or more Series of Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying Project Costs. The issuance of Bonds of a Series shall be authorized by the Applicable Series Supplemental Indenture, executed with respect to the Series 2002 Bonds on the date hereof or, with respect to any Series of Additional Bonds, subsequent to the date hereof, which shall be subject to the express limitations contained in the Indenture. The Bonds shall be payable from the lease rentals, receipts and revenues payable by the Lessee under the IDA Lease Agreement. Simultaneously with issuance of the Series 2002 Bonds hereunder, the Lessee shall enter into the IDA Lease Agreement. Simultaneously with the issuance of the Series 2002 Bonds hereunder and each Series of Additional Bonds issued hereunder, the Agency and the Trustee shall execute and deliver Applicable Series Supplemental Indentures in connection therewith. Simultaneously with the issuance of each Series of Additional Bonds after the Series 2002 Bonds the Agency and the Lessee shall enter into IDA Lease Amendments relating thereto. Such amendments together with the IDA Lease Agreement shall provide, among other things, that the rentals payable thereunder shall equal the payment in full the principal of, Redemption Price, Purchase Price and Sinking Fund installments, if any, of and interest on all Outstanding Bonds and any other costs in connection therewith.

(b) Each such Series of Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of the sale of a Series of Bonds, they shall be delivered by the Trustee to or upon the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(i) in the case of the Series 2002 Bonds, a copy of the resolution of the Agency dated October 23, 2001 as amended November 13, 2001 duly certified by the Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency,

authorizing, issuing and awarding such Series 2002 Bonds to the purchasers thereof and providing for the terms thereof and authorizing the Applicable Series Supplemental Indenture;

(ii) with respect to each Series of Additional Bonds, a copy of the resolution of the Agency, duly certified by the Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, authorizing, issuing and awarding the Bonds of such Series to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of the Applicable Series Supplemental Indenture and the Applicable IDA Lease Amendment;

(iii) with respect to the Series 2002 Bonds, the original executed counterparts of the IDA Lease Agreement;

(iv) with respect to each Series of Additional Bonds, an original executed counterpart of the Applicable IDA Lease Amendment;

(v) with respect to each Series of Bonds issued hereunder, a written opinion by Bond Counsel to the effect that the issuance of the Bonds of such Series and the execution thereof have been duly authorized and that all conditions precedent to the delivery thereof (other than conditions relating to matters affecting title to the Facility) have been fulfilled and that the issuance of such Bonds will not affect the exclusion of interest on any Series of Tax-Exempt Bonds Outstanding from gross income for Federal income tax purposes;

(vi) except with respect to the Series 2002 Bonds and unless waived by the Agency, a certificate of an Authorized Representative of the Lessee and of each other obligor (other than the Agency) with respect to any of the Security Documents, together with any supplement thereto with respect to such Series of Bonds, to the effect that each such Security Document, together with any supplement thereto (if any) continues in full force and effect and that no event of default has occurred and is continuing thereunder nor any event which upon notice or lapse of time or both would become an event of default thereunder;

(vii) with respect to the Series 2002 Bonds, an original executed counterpart of the Guaranty and the Equipment Security Agreement;

(viii) with respect to each Series of Additional Bonds, an original, executed counterpart of an amendment or supplement of the Equipment Security Agreement and each Security Document, if necessary;

(ix) with respect to each Series of Bonds issued hereunder, a written order to the Trustee executed by an Authorized Representative of the Agency to authenticate and deliver the Bonds of such Series to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any;

(x) with respect to each Series of Bonds issued hereunder, if applicable, a certificate of an Authorized Representative of the Agency stating the amount required to be in the Applicable Account of the Debt Service Reserve Fund, if any, after issuance of such Series of Bonds then to be issued, and that after deposit in such Applicable Account of

the Debt Service Reserve Fund of the amount, if any, to be deposited therein in connection with the issuance of such Series of Bonds, the amount on deposit in such Account will not be less than the Debt Service Reserve Account Requirement related thereto;

(xi) [Reserved]

(xii) with respect to each Series of Bonds issued hereunder, unless the Trustee is a party thereto, a copy of the agreement between the Agency and the Depository for the Bonds of such Series; and

(xiii) With respect to each Series of Bonds issued hereunder, the Applicable Credit Facility, if any, obtained in connection with the issuance of the Bonds of such Series.

No Bonds may be used authenticated or delivered hereunder for the purpose of refunding any other Bonds outstanding hereunder.

(c) The Bonds of each Series issued pursuant to this Section shall be equally and ratably secured under the Indenture, the Guaranty and the Equipment Security Agreement with all other Bonds issued pursuant to this Section, without preference, priority or distinction of any Bond over any other Bonds except as otherwise provided in Section 2.01 hereof, and except as otherwise provided in or permitted by the Indenture with respect to an Applicable Credit Facility or Applicable Account of the Debt Service Reserve Fund relating to such Series of Bonds.

(d) Notwithstanding anything contained herein to the contrary, no Series of Additional Bonds shall be issued unless the IDA Lease Agreement, as amended by the Applicable IDA Lease Amendment is 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. Each Series of Bonds shall be designated by the name as "New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project)" and be separately designated by series.

SECTION 2.03 Supplemental Indentures. Each Series of Bonds issued hereunder shall be issued pursuant to an Applicable Series Supplemental Indenture authorizing the issuance of such Series of Bonds. Each Series Supplemental Indenture shall specify the following:

(a) The authorized principal amount of such Series of Bonds.

(b) The purpose or purposes for which such Series of Bonds is being issued, which shall be limited to the purpose of payment or reimbursement of Project Costs.

(c) The dated date or dates, the maturity date or dates and principal amounts of each maturity of the Bonds of such Series, the amount and date of each Sinking Fund Installment, if any, and the Record Date or Record Dates of the Bonds of such Series.

(d) The interest rate or rates, if any, of the Bonds of such Series or the manner of determining such rate or rates, the date from which interest on the Bonds of such Series shall accrue, the first date on which interest on the Bonds of such Series shall be payable and the date or dates on which the rate at which Multi-Modal Interest Rate Bonds of such Series bear interest shall be adjusted and the date or dates on which interest on Multi-Modal Interest Rate Bonds shall be paid, or the manner of determining the same and the manner in which interest is to be paid on such Multi-Modal Interest Rate Bonds.

(e) The provisions regarding tender for purchase or redemption thereof and payment of the Purchase Price or Redemption Price thereof, if any, provided that each Series Supplemental Indenture shall contain the following redemption provisions:

(i) in the event that the Company Sublease shall have terminated, the Bonds shall be subject to mandatory redemption in whole prior to maturity at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Bonds, together with accrued interest to the date of redemption, but without premium;

(ii) in the event that any portion of the Leased Facilities is released from the PA Lease or the City-American Lease, as the case may be, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Bonds shall be subject to mandatory redemption at par in a principal amount (rounded down to the nearest authorized denomination) equal to the Release Price; and

(iii) the Bonds shall be subject to extraordinary mandatory redemption prior to maturity at any time at a redemption price of 100% of the unpaid principal amount thereof plus accrued interest thereon, if any, to the redemption date to the extent and as soon as practical following the Trustee's receipt of any moneys received by the Trustee as a result of the exercise by the Port Authority of its purchase rights under Section 92(v) of the PA Lease or the exercise by the City of any comparable purchase rights contained in the City-American Lease.

(f) The denomination or denominations of and the manner of numbering and lettering the Bonds of such Series.

(g) The Redemption Price or Redemption Prices, if any, and, subject to Article VI hereof, the redemption terms, if any, for the Bonds of such Series.

(h) Provisions for the sale of the Bonds of such Series and for the delivery thereof.

(i) The form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon, and whether any Bonds of such Series are to be issued as Book-Entry Bonds and the Depository therefor; *provided* that, each Bond shall contain the following provision:

"Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease and the

Consent Agreement and, upon the effectiveness thereof, the City-American Lease and, except with respect to the RNDA or except upon the effectiveness of the City-American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement, or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by purchase or transfer and acceptance hereof) further agrees that neither the Agency, the Bondholder, nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition, to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee."

(j) Directions for the application of the proceeds of the Bonds of such Series.

(k) The maximum maturity date for the Bonds of such Series, which shall not exceed December 1, 2036.

(l) With respect to any Series Supplemental Indenture authorizing a Series of Bonds to be secured by a Credit Facility, a requirement that simultaneously with the delivery of

any Credit Facility thereunder by any Credit Facility Provider, such Credit Facility Provider shall deliver to the Port Authority a Certificate of Assumption required by the Consent Agreement. Delivery of such Certificate of Assumption shall be a precondition to the acceptance by the Trustee of any Credit Facility thereunder.

(m) Whether the Bonds issued under such Series Supplemental Indenture will be Tax-Exempt Bonds.

(n) Any other provisions deemed advisable by an Authorized Representative of the Agency, not in conflict with the provisions hereof or of any Series Supplemental Indenture.

All Bonds of a Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters, and except that Bonds of a Series of like maturity may be Multi-Modal Interest Rate Bonds and Bonds which bear interest at a fixed rate.

SECTION 2.04 Limitation of Agency's Liability. Anything in the Indenture, the Bonds, the IDA Lease Agreement, the Leasehold Mortgage, the Equipment Security Agreement, the Guaranty or any other Security Document to the contrary notwithstanding, any obligations of the Agency under the Indenture or the Bonds or under the IDA Lease Agreement or under any other Security Document or related document for the payment of money shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, but any such obligation shall be a special limited obligation of the Agency secured and payable solely as provided in the Indenture.

## ARTICLE III
## GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 3.01 Date of Bonds. Each Series of Bonds shall be dated and shall bear interest in the manner set forth in the Applicable Series Supplemental Indenture authorizing such Series of Bonds.

SECTION 3.02 Form and Denominations. The Bonds are issuable in the form of fully registered bonds in the denominations specified in the Applicable Series Supplemental Indenture authorizing the issuance thereof. Subject to the provisions of Sections 2.03(i) and 3.03 hereof, the Bonds shall be in substantially the form set forth in the Series Supplemental Indenture relating thereto, with such variations, omissions, substitutions and insertions as are permitted or required by such Series Supplemental Indenture.

SECTION 3.03 Legends. Each Bond shall contain on the face thereof a statement to the effect that "THIS BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR OF THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS BOND BE PAYABLE OUT OF ANY FUNDS OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY OTHER THAN THOSE PLEDGED THEREFOR." The Bonds may in addition contain or have endorsed thereon such

provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom or otherwise as may be determined by the Agency prior to the delivery thereof.

SECTION 3.04 Medium of Payment. The principal, Purchase Price, Redemption Price, and Sinking Fund Installments if any, of and interest on the Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts or such other currency as may be permitted by law and the Act and provided in a Series Supplemental Indenture relating to the applicable Series of Bonds. Such payment may be made as provided in the Series Supplemental Indenture relating to any Series of Bonds.

SECTION 3.05 Bond Details. Subject to the provisions hereof, the Bonds of each Series shall be dated, shall mature in such years and such amounts, shall bear interest at such rate or rates per annum, shall be subject to redemption on such terms and conditions and shall be payable as to principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, thereof, and interest thereon, at such place or places as shall be specified in the Applicable Series Supplemental Indenture relating to such Series of Bonds.

SECTION 3.06 Interchangeability, Transfer and Registry. (a) Each Bond shall be transferable only upon compliance with the restrictions on transfer set forth on such Bond and only upon the books of the Agency, which shall be kept for the purpose at the principal corporate trust office of the Trustee in the City, by the registered owner thereof in person or by his duly authorized attorney-in-fact with signature guaranteed, upon presentation thereof together with a written instrument of transfer in the form appearing on such Bond, duly executed by the registered owner or his duly authorized attorney-in-fact. Upon the transfer of any Bond the Trustee shall prepare and issue in the name of the transferee one or more new Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(b) Any Bond, upon surrender thereof at the principal corporate trust office of the Trustee in the City with a written instrument of transfer in the form appearing on such Bond, duly executed by the registered owner or his duly authorized attorney-in-fact with signature guaranteed, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity of any other authorized denominations. However, except for Bonds of a Series that have been tendered or deemed tendered for purchase by the Holders thereof pursuant to the terms thereof, the Trustee will not be required to transfer or exchange any Bonds of such Series during the period between a Record Date and the following Interest Payment Date for such Series of Bonds or during the period of fifteen (15) days next preceding any day for mailing of a notice of redemption of Bonds to be redeemed. Bonds called or being called for redemption or mandatory tender for purchase may be transferred or exchanged only if the Trustee provides the new Holder with a copy of the notice of redemption or notice of mandatory tender, as the case may be.

(c) The Agency the Lessee, the Bond Registrar, the Trustee, any Tender Agent, any Remarketing Agent, and any Paying Agent may deem and treat the person in whose name any Bond shall be registered as the absolute owner of such Bond, whether such Bond shall

be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, Purchase Price, and Redemption Price, and Sinking Fund Installments, if any, of and interest on such Bond and for all other purposes, and all payments made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Agency, the Lessee, the Bond Registrar, the Trustee, any Tender Agent, any Remarketing Agent, nor any Paying Agent shall be affected by any notice to the contrary.

SECTION 3.07 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Agency shall execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of like Series, maturity and unpaid principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence reasonably satisfactory to it that such Bond has been destroyed, stolen or lost, and upon furnishing the Agency, the Lessee and the Trustee with an indemnity satisfactory to the Agency, the Lessee and the Trustee (which may be an undertaking from an insurance company acceptable to the Agency, the Lessee and the Trustee) and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Agency and the Trustee may incur. All Bonds so surrendered to the Trustee shall be canceled by it. Every new Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is mutilated, destroyed, lost or stolen, shall, with respect to such Bond, constitute an additional contractual obligation of the Agency whether or not the mutilated, destroyed, lost or stolen Bond shall be found and shall be enforceable at any time, and shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Bonds duly issued hereunder. In the event any such mutilated, destroyed, stolen or lost Bond shall have matured, or be about to mature, the Agency may, instead of issuing a new Bond, cause the Trustee to pay the same without surrender thereof upon compliance with the condition in the first sentence of this Section out of moneys held by the Trustee and available for such purpose. All Bonds shall be held and owned upon the express condition (to the extent lawful) that the foregoing provisions are exclusive with respect to the replacement or payment of any mutilated, destroyed, lost or stolen Bond and shall preclude any and all other rights and remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 3.08 Cancellation of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds shall thereupon be promptly canceled. Bonds so canceled shall be held by the Trustee or, upon the written request of the Agency, delivered to the Agency.

SECTION 3.09 Requirements With Respect to Transfers. In all cases in which the privilege of transferring Bonds is exercised, the Agency shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Master Indenture or any Applicable Series Supplemental Indenture. All Bonds surrendered in any such transfer shall forthwith be canceled by the Trustee. For every such transfer of Bonds, the Agency or the Trustee may, as a condition precedent to the privilege of making such transfer, make a charge

sufficient to reimburse it for any out-of-pocket expense, tax, fee or other governmental charge required to be paid with respect to such transfer, and may charge a fee for preparing each new Bond, which sum or sums shall be paid by the Person requesting such transfer.

SECTION 3.10 Bond Registrar. The Trustee shall serve as Bond Registrar for the Bonds, and shall maintain a register showing the names of all registered Holders of Bonds, Bond numbers and amounts, and other information appropriate to the discharge of its duties hereunder. Bonds may be presented at the principal corporate trust office of the Trustee in the City for registration, transfer and exchange, and for payment. The Trustee shall make available to the Lessee for its inspection during normal business hours the registration books for the Bonds, as may be requested by the Lessee.

SECTION 3.11 Temporary Bonds. Pending preparation of definitive Bonds, the Agency may issue, in lieu of definitive bonds, one or more temporary printed or typewritten Bonds in authorized denominations, of substantially the tenor recited above. In the event temporary Bonds are used, the Agency shall cause definitive Bonds to be prepared without undue delay. At the written request of the Agency, the Trustee shall authenticate definitive Bonds of such Series in exchange for and upon surrender of an equal principal amount of temporary Bonds of the same Series and maturity. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

SECTION 3.12 Book-Entry Bonds. Anything herein to the contrary notwithstanding, Bonds may be authorized and issued as Book-Entry Bonds in accordance with the Series Supplemental Indenture authorizing such Bonds.

For all purposes of the Indenture, the Holder of a Book-Entry Bond shall be the Depository therefor and neither the Agency, the Bond Registrar, the Lessee, the Guarantor nor the Trustee shall have responsibility or any obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Depository. Without limiting the generality of the foregoing, neither the Agency, the Bond Registrar, the Lessee, the Guarantor nor the Trustee shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book-Entry Bond with respect to (i) the accuracy of the records of the Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Depository, the beneficial owner of such Bond or any other person, other than the Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Depository, the beneficial owner of such Bond or any other person, other than the Depository, of any amount with respect to the principal, Purchase Price, or Redemption Price of, or interest on, such Bond. The Agency, the Bond Registrar, the Lessee, the Guarantor and the Trustee may treat the Depository therefor as the absolute owner of a Book-Entry Bond for the purpose of (x) payment of the principal and Purchase Price or Redemption Price of, and interest on such Bond, (y) giving notices of redemption and/or tender and of other matters with respect to such Bond, and (z) registering transfers with respect to such Bond, and for all other purposes whatsoever. All principal, Purchase Price or Redemption Price of, as applicable, and interest on, such Bond shall be paid only to or upon the order of the Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to such principal, Purchase

Price or Redemption Price and interest to the extent of the sum or sums so paid. No person other than the Depository shall receive a Bond or other instrument evidencing the Agency's obligation to make payments of the principal, Purchase Price or Redemption Price thereof, and interest thereon.

Anything herein to the contrary notwithstanding, payment of the Redemption Price and related interest or the Purchase Price of Book-Entry Bonds which are redeemed or purchased prior to maturity may be paid to the Depository by wire transfer without surrender of Bonds to the Trustee; provided, however, payment of principal and interest at maturity of Book-Entry Bonds requires surrender of such Book-Entry Bonds to the Trustee.

The Agency, in consultation with the Lessee and without the consent of the Trustee, the beneficial owner of any Book-Entry Bonds or any other person, may terminate the services of the Depository with respect to Book-Entry Bonds if the Agency determines the (i) the Depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds of like Series issued in Book-Entry form be registered in the registration books of the Agency in the name of the Depository, is not in the best interest of the beneficial owners of such Bonds. The Agency shall terminate the services of the Depository upon receipt by the Agency and the Trustee of written notice from the Depository that it has received written requests that such Depository be removed from its participants having beneficial interest, as shown in the records of the Depository, in an aggregate amount of not less than fifty percent in principal amount of the then Outstanding Bonds (of such Series) for which the Depository is serving as depository.

Upon the termination of the services of a Depository with respect to a Book-Entry Bond as described in the proceeding paragraph, or upon the resignation of a Depository with respect to a Book-Entry Bond, after which no substitute securities depository willing to undertake the functions of such Depository can be found which, in the opinion of the Agency, is able to undertake such functions upon reasonable and customary terms, such Bonds shall no longer be registered in the registration books kept by the Bond Registrar in the name of a Depository, but shall be registered in the name or names Bondholders transferring or exchanging such Bonds shall designate, in accordance with the provisions of Article III hereof.

Bondholders shall have no right to a book-entry system.

SECTION 3.13 Tender of Bonds. A Bond of a Series which is required to be delivered for redemption or purchase pursuant to the provisions of the Applicable Series Supplemental Indenture shall be deemed delivered or surrendered as provided in such Applicable Series Supplemental Indenture even though such Bond has not been actually presented and surrendered by the Holders thereof.

SECTION 3.14 CUSIP Numbers. The Agency in issuing the Bonds may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Bonds, and any such redemption shall not be affected

by any defect in or omission of such numbers. The Agency will promptly notify the Trustee of any change in the "CUSIP" numbers.

## ARTICLE IV
## APPLICATION OF BOND PROCEEDS

SECTION 4.01 Application of Bond Proceeds. Upon receipt by the Trustee of the original proceeds of the sale and delivery of a Series of Bonds, such proceeds shall be deposited as specified in the Applicable Series Supplemental Indenture authorizing such Series of Bonds.

## ARTICLE V
## CUSTODY AND INVESTMENT OF FUNDS

SECTION 5.01 Creation of Funds and Accounts. (a) The Agency hereby establishes and creates the following special trust Funds (and authorizes the creation of the following Accounts comprising such Funds):

(i) Project Fund

(1) Construction Account

(2) Capitalized Interest Account

(ii) Bond Fund

(1) Principal Account

(2) Interest Account

(3) Redemption Account

(4) Sinking Fund Installment Account

(iii) Rebate Fund

(iv) Lease Payments Fund

(v) Debt Service Reserve Fund

(vi) Mortgage Reserve Fund

(1) Foreclosure Payment Account

(b) All of the Funds and Accounts created hereunder shall be held by the Trustee, or in one or more depositories in trust for the Trustee. All moneys and investments deposited with or in trust for the Trustee shall be held in trust and applied only in accordance with the Indenture and shall be trust funds for the purposes of the Indenture.

(c) Accounts and Subaccounts (including Accounts and Subaccounts relating to a Credit Facility or relating to the tender and purchase of bonds) within each of the foregoing funds may from time to time be established in accordance with any Series Supplemental Indenture, as the Agency or the Trustee may (in consultation with the Lessee) deem necessary or desirable with respect to each Series of Bonds. All moneys at any time deposited in any fund created hereby or under any other account held hereunder or under any Series Supplemental Indenture with respect to the Bonds, other than the Rebate Fund or Bond Purchase Fund, shall be held in trust for the benefit of the Holders of the Bonds (except that any amounts held in any Account of the Debt Service Reserve Fund shall be held solely as security for the Series of Bonds secured by such Debt Service Reserve Account), but shall nevertheless be disbursed, allocated and applied for the uses and purposes provided herein and in any Series Supplemental Indenture. Upon the issuance of a Series of Bonds the Trustee shall, if the Debt Service Reserve Account Requirement for such Series of Bonds is established by any Series Supplemental Indenture to be an amount greater than zero dollars ($0), establish a separate Account within the Debt Service Reserve Fund with respect to such Series of Bonds.

SECTION 5.02 Project Fund. (a) As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the appropriate Account in the Project Fund the amount required to be deposited therein pursuant to the Applicable Series Supplemental Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee for the benefit of the Holders of the Bonds until disbursed as provided herein. The Trustee shall apply the amounts in each Construction Account of the Project Fund to the payment of Project Costs, or reimbursement of Project Costs to the extent the same have been paid by or on behalf of the Lessee (as agent of the Agency) or the Agency. The Trustee shall apply any amounts held in each Applicable Capitalized Interest Account in accordance with subsection (f) of this Section 5.02.

(b) The Trustee is hereby authorized to disburse from each Construction Account (as designated by the Lessee pursuant to a requisition submitted hereunder) of the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks, or, at the request of the Lessee (as agent of the Agency) or the Agency, to wire funds, for each disbursement from each Construction Account of the Project Fund, upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Lessee (as agent of the Agency). The Trustee will not be required to issue such disbursement sooner than five (5) Business Days after the submission of such requisition. Such requisition shall be substantially as set forth in the Form of Requisition attached hereto as Appendix B. Each such requisition shall be accompanied by bills or invoices (stamped "paid" if reimbursement is to be made to the Lessee) supporting Project Costs to which such requisition pertains. The Trustee shall be entitled to conclusively rely on such requisition. The Trustee shall keep and maintain adequate records pertaining to each Construction Account of the Project Fund and all disbursements therefrom.

(c) The Trustee shall on written request furnish to the Agency and the Lessee a written statement of disbursements from the Project Fund, enumerating, among other things, item, cost, amount disbursed, date of disbursement and the person to whom payment was made, together with copies of all bills or invoices submitted to the Trustee for such disbursement.

(d) The completion of the Project shall be evidenced as set forth in Section 2.2 of the IDA Lease Agreement. Upon such completion, the balance in each Construction Account of the Project Fund in excess of the amount, if any, stated in the completion certificate referred to in Section 2.2 of the IDA Lease Agreement for the payment of any remaining part of the costs of the Project Costs relating to the Project shall, at the written direction of the Lessee, (i) be ratably and equally deposited into each Redemption Account held under the Bond Fund and applied ratably and equally to the retirement of the Bonds by purchase or redemption at the earliest date permissible under the Indenture provided that, prior to such application, a Favorable Opinion of Bond Counsel shall be received and (ii) be invested at a yield not in excess of the Applicable Bond Yield (as defined in the Applicable Tax Certificate); provided, however, the Lessee, on behalf of the Agency, may apply such balance to any other lawful purpose under the Act in connection with the Facility, provided that a Favorable Opinion of Bond Counsel is received by the Trustee and the Agency prior to such use.

(e) In the event the Lessee shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the IDA Lease Agreement or the Indenture, the balance in each of the Construction Accounts of the Project Fund (in excess of any amount that the Trustee is directed to transfer to the Rebate Fund pursuant to each Applicable Tax Certificate and Section 5.08 hereof) shall be ratably and equally deposited into each Redemption Account held under the Bond Fund and applied ratably and equally to the retirement of the Bonds by purchase or redemption. In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default hereunder, the balance in the Project Fund shall be deposited ratably and equally into each of the Interest Accounts and Principal Accounts held under the Bond Fund and shall be applied as provided in Section 8.03 hereof.

(f) Proceeds of Bonds deposited in any Capitalized Interest Account shall be applied as follows:

(i) prior to the completion of the Project, on each Interest Payment Date for a Series of Bonds amounts in the Applicable Capitalized Interest Account shall first be deposited in the Lease Payments Fund to the extent moneys in such fund are insufficient to meet principal and/or interest payments then due and owing under the Indenture with respect to the related Series of Bonds and second, be drawn by the Trustee at the direction of the Lessee (as agent for the Agency) for the payment of Project Costs, if any;

(ii) on or after the Interest Payment Date for each Series of Bonds next succeeding the date of completion of the Project, the moneys remaining in the Applicable Capitalized Interest Account shall at the direction of the Lessee be applied pursuant to the provisions of Section 5.02(d) hereof; and

(iii) At any time prior to the completion of the Project, upon the written request of the Lessee and designation in writing of a certain amount by the Lessee, the Trustee will transfer such amounts from each Capitalized Interest Account to one or more Construction Accounts as specified by the Lessee and apply such amounts as provided in paragraphs (b), (d) and (e) above.

SECTION 5.03 [RESERVED].

SECTION 5.04 Lease Payments Fund. (a) The Trustee shall deposit in the Lease Payments Fund the amounts so stated to be deposited therein pursuant to the IDA Lease Agreement, the Indenture or the Applicable Series Supplemental Indenture.

(b) Except as provided in Section 5.04(d) hereof, on or before any Interest Payment Date relating to a Series of Bonds the Trustee shall transfer to the Applicable Principal Account, Interest Account, Redemption Account, and/or Sinking Fund Installment Account from the Lease Payments Fund an amount sufficient so that the payments required to be made from the Bond Fund pursuant to paragraphs (a), (b), (c) and (d) of Section 5.06 on such Interest Payment Date may be made.

(c) After making the payment described in paragraph (b), amounts, if any, remaining in the Lease Payments Fund shall be deposited equally and ratably to the credit of each Account held in the Debt Service Reserve Fund in an amount, if any, equal to the amount necessary to make the amount on deposit in such Accounts equal to the Applicable Debt Service Reserve Account Requirement and thereafter any remaining excess in the Lease Payments Fund shall be returned to the Lessee.

(d) During any period that any Series of Bonds shall bear interest at a Variable Interest Rate, and shall be secured by a Credit Facility relating to such Series of Bonds constituting a direct pay letter of credit, amounts held in the Lease Payments Fund after payment by the Credit Facility Provider of the amounts due under Section 5.06(a), (b) and (c), shall at the direction of the Lessee be applied to reimburse the provider of such Credit Facility for the payment of the principal, interest, or Redemption Price made on such Series of Bonds from drawing on such Credit Facility.

(e) If, on any Interest Payment Date relating to a Series of Bonds, any principal payment date or redemption date, as the case may be, the amount on deposit in the Lease Payments Fund or the Bond Fund is insufficient to make all payments with respect to the principal of, Sinking Fund Installments, and Redemption Price, if any of, and interest on such Series of Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the Lessee and the Agency. Promptly upon receipt of such notice, the Lessee shall, as provided in Section 3.4(b) of the IDA Lease Agreement, pay the amount of such deficiency in immediately available funds. Upon receipt of such funds, the Trustee shall deposit them in the Lease Payments Fund.

(f) If, on any Purchase Date, the amount on deposit in the Applicable Bond Purchase Fund relating to a Series of Bonds is insufficient to make all payments with respect to Purchase Price, if any, on such Series of Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the Lessee and the Agency. Promptly upon receipt of such notice, the Lessee shall, as provided in Section 3.4(c) of the IDA Lease Agreement, pay the amount of such deficiency in immediately available funds. Upon receipt of such funds, the Trustee shall

deposit them in the Applicable Lessee Payments Account established in the Applicable Bond Purchase Fund.

SECTION 5.05 Payments into Bond Fund. The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Excess amounts in any Construction Account held in the Project Fund required to be deposited (subject to any transfer required to be made to the Rebate Fund in accordance with directions received pursuant to the Applicable Tax Certificate and Section 5.08 hereof) in the Applicable Redemption Account of the Bond Fund pursuant to Section 5.02(d) and to the first sentence of Section 5.02(e) hereof, which shall be kept segregated from any other moneys within such Account.

(b) [Reserved]

(c) Amounts transferred from the Lease Payments Fund to the Bond Fund pursuant to Section 5.04 hereof, which shall be deposited first to the Applicable Interest Account, in the amount required to make the payments described in Section 5.06(a) hereof, second to the Applicable Sinking Fund Installment Account, in the amount required to make the payments described in Section 5.06(c) hereof, third to the Applicable Principal Account, in the amount required to make the payments described in Section 5.06(b) hereof and fourth to the Applicable Redemption Account, in the amount required to make the payments described in Section 5.06(d) hereof. Advance rental payments received by the Trustee for deposit into the Lease Payments Fund pursuant to Section 3.4(e) of the IDA Lease Agreement shall be deposited in the Applicable Redemption Account.

(d) The excess amounts referred to in the third sentence of Section 5.06(d) hereof, which shall be credited to the Applicable Interest Account of the Bond Fund.

(e) Any amounts transferred from an Applicable Redemption Account pursuant to Section 5.06(h) hereof, which shall be deposited to the Applicable Interest Account, the Applicable Principal Account and the Applicable Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied solely to the payment of the principal of and interest on the applicable Series of Bonds, as the case may be.

(f) All other receipts when and if required by the IDA Lease Agreement, by this Indenture, or by the Leasehold Mortgage (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, or by the Equipment Security Agreement, the Guaranty or any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in Section 8.03) to the Applicable Redemption Account of the Bond Fund.

SECTION 5.06 Application of Bond Fund. (a) The Trustee shall, on any Interest Payment Date with respect to a Series of Bonds, pay or cause to be paid to the respective Paying Agents therefor out of the Applicable Interest Account in the Bond Fund the interest due on such Series of Bonds and further pay out of the Applicable Interest Account of the Bond Fund any

amounts required for the payment of accrued interest upon any redemption (including any mandatory sinking fund redemption) of such Series of Bonds.

(b) The Trustee shall on each principal payment date with respect to a Series of Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Applicable Principal Account of the Bond Fund, the principal amount, if any, due on such Series of Bonds (other than such as shall be due by mandatory sinking fund redemption), upon the presentation and surrender (if applicable) of the requisite Bonds of such Series.

(c) There shall be paid from the Applicable Sinking Fund Installment Account of the Bond Fund to the respective Paying Agents on each sinking fund payment date for a Series of Bonds in immediately available funds the amounts required for such Sinking Fund Installment due and payable with respect to such Series of Bonds which are to be redeemed from Sinking Fund Installments on such date (accrued interest on such Bonds being payable from the Applicable Interest Account of the Bond Fund), all as may be set forth in the applicable Series Supplemental Indenture. Such amounts shall be applied by the Paying Agents to the payment of such Sinking Fund Installment when due. The Trustee shall call for redemption, in the manner provided in Article VI hereof, Bonds of such Series for which Sinking Fund Installments are applicable in a principal amount equal to the Sinking Fund Installment 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 Account of the Bond Fund.

(d) Amounts in the Applicable Redemption Account of the Bond Fund established with respect to a Series of Bonds shall be applied, at the written direction of the Lessee, as promptly as practicable, to the redemption of such Series of Bonds at prices not exceeding the Redemption Price thereof applicable on the earliest date upon which such Bonds are next subject to redemption plus in each case accrued interest to the date of redemption. Any amount in the Applicable Redemption Account not so applied to the redemption of such Series of Bonds by thirty (30) days prior to the next date on which the Bonds are so redeemable shall be applied, subject to the provisions of Section 5.06(a) hereof, to the redemption of such Series of Bonds on such redemption date; provided that if such amount aggregates less than $100,000, such amount need not be then applied to such redemption. Any amounts deposited in such Applicable Redemption Account and not applied within twelve (12) months of their date of deposit to the redemption of, or as provided in paragraph (e) of this Section 5.06, the purchase of such Series of Bonds (except if held in accordance with Section 10.01 hereof) shall be transferred to the Applicable Interest Account. Upon the redemption of Bonds of a maturity of any Series, an amount equal to the principal of such Bonds so redeemed or an amount of Bonds purchased by the Lessee and surrendered for cancellation as provided in Section 5.06(e), (f) and (g) hereof shall, in the order designated by the Lessee, be credited against the next ensuing and future Sinking Fund Installments, if any, for that maturity of that Series of Bonds until the full principal amount of such Bonds so redeemed or purchased shall have been so credited. The portion of any such Sinking Fund Installment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such Sinking Fund Installment for the purposes of any calculation thereof under the Indenture. The Bonds of any maturity of a Series to be redeemed shall be selected by the Trustee (at the written direction of the Lessee) in

the manner provided in Section 6.02 hereof. Amounts in any Applicable Redemption Account to be applied to the redemption of Bonds of a Series shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of such Series of Bonds being redeemed plus interest on such Bonds accrued to the redemption date.

(e) In lieu of Bonds of any maturity of a Series being redeemed through a mandatory sinking fund redemption, the Lessee, on behalf of the Agency, may negotiate or arrange for the purchase of Bonds of that maturity of such Series by the Trustee on behalf of the Agency in such manner (through brokers or otherwise, and with or without receiving tenders) as it shall in its discretion determine. The Lessee, on behalf of the Agency, shall cause such Bonds to be delivered to the Trustee for cancellation. The Trustee, upon presentation by the Lessee to the Trustee of Bonds of such Series to be purchased accompanied by a written request of an Authorized Representative of the Agency (given at the written direction of the Lessee) to the Trustee requesting payment therefor, shall provide monies for payment of the purchase price for any such Bonds from the moneys deposited in the Applicable Redemption Account of the Bond Fund and the payment of accrued interest shall be made out of moneys deposited in the Applicable Interest Account of the Bond Fund. Bonds so purchased and delivered shall be canceled by the Trustee.

(f) The Agency shall receive a credit in respect of Sinking Fund Installments for any Bonds of a Series which are subject to mandatory sinking fund redemption and which are delivered by the Agency or the Lessee to the Trustee on or before the thirtieth (30th) day next preceding any Sinking Fund Installment payment date and for any Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the Applicable Sinking Fund Installment Account) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment. Each Bond of a Series so delivered, canceled or previously purchased or redeemed shall be credited by the Trustee at one hundred per cent (100%) of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date with respect to such Series of Bonds, and the principal amount of such Series of Bonds to be redeemed by operation of the Applicable Sinking Fund Installment Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such principal amount shall be credited to future Sinking Fund Installments in the manner directed by the Lessee, and the principal amount of such Series of Bonds to be redeemed by application of Sinking Fund Installment payments shall be accordingly reduced.

(g) The Lessee shall on or before the thirtieth (30th) day next preceding each Sinking Fund Installment payment date furnish the Trustee with the certificate of an Authorized Representative of the Lessee indicating whether or not and to what extent the provisions of this Section are to be availed of with respect to such Sinking Fund Installment payment relating to a Series of Bonds, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment relating to such Series of Bonds and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment relating to such Series of Bonds will be paid on or prior to the next succeeding Sinking Fund Installment payment date.

(h) Moneys in the Applicable Redemption Account of the Bond Fund established with respect to a Series of Bonds which are not set aside or deposited for the redemption or purchase of such Series of Bonds shall be transferred by the Trustee to the Applicable Interest Account, to the Applicable Principal Account or to the Applicable Sinking Fund Installment Account of the Bond Fund.

SECTION 5.07 Debt Service Reserve Fund.

(a) (i) Within the Debt Service Reserve Fund there shall be created and held a separate Account for each Series of Bonds issued hereunder for which the Applicable Series Supplemental Indenture establishes a Debt Service Reserve Account Requirement greater than zero dollars ($0). The Trustee shall deposit to the credit of the Applicable Debt Service Reserve Fund Account for a Series of Bonds such proceeds of the sale of such Series of Bonds, if any, as shall be prescribed in the Applicable Series Supplemental Indenture, and any moneys as are delivered to the Trustee by the Lessee for the purposes of such Applicable Account of the Debt Service Reserve Fund.

(ii) In lieu of or in substitution for moneys the Lessee may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of a Series for all or any part of the Debt Service Reserve Account Requirement for such Series of Bonds; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association reasonably consented to by the Agency and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if the Bonds of such Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Bonds and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a Federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Bonds of such Series are not rated by Moody's and S&P, by whichever of said rating services that then rates such Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Account Requirement for a Series of Bonds unless the Trustee and each provider of a Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each provider of a Reserve Fund Facility to the effect that such Reserve Fund

Facility has been duly authorized, executed and delivered by the provider thereof and is valid, binding and enforceable in accordance with its terms, and (ii) in the event such provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to such Reserve Fund Facility provider.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the applicable Account in the Debt Service Reserve Fund.

For the purposes of this Section and Section 5.10 hereof, in computing the amount on deposit in each Account of the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

(b) Moneys held for the credit of an Applicable Account of the Debt Service Reserve Fund for a Series of Bonds shall be withdrawn by the Trustee and deposited to the credit of the Applicable Interest Account, Principal Account, Redemption Account or Sinking Fund Installment Account of the Bond Fund at the times and in the amounts required to comply with the provisions of paragraphs (a), (b), (c) and (d) of Section 5.06 hereof with respect to such Series of Bonds; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Applicable Account of the Debt Service Reserve Fund and the amount required to be withdrawn from such Account of the Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of such Account of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the Interest Payment Date for the Series of Bonds for which such moneys are required.

(c) (i) If upon any valuation it is determined that the moneys and investments held for the credit of an Applicable Account of the Debt Service Reserve Fund are in excess of those necessary to maintain the Debt Service Reserve Account Requirement for the related Series of Bonds, an amount equal to such excess shall be withdrawn by the Trustee and deposited first ratably and equally to satisfy any deficiency then existing in any other Account held in the Debt Service Reserve Fund and second shall be deposited in the Bond Fund or, prior to completion of the Project, in the Applicable Construction Account in accordance with the direction of the Lessee; provided, however, that if such amount results from the substitution of a Reserve Fund Facility for any securities in such Applicable Account of the Debt Service Reserve Fund, such amount shall not be deposited in the Bond Fund or the Applicable Construction Account unless in the opinion of Bond Counsel such application will not adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income for Federal income tax purposes.

(ii) Notwithstanding the provisions hereof, if, upon any Bond of a Series having been deemed to have been paid in accordance with Section 10.01 hereof or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Applicable Account of the Debt Service Reserve Fund will exceed the Debt Service Reserve Account Requirement for the related Series of Bonds, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with Section 10.01 hereof, withdraw all or any portion of such excess from the Applicable Account of the Debt Service Reserve Fund upon the direction of an Authorized Representative of the Lessee and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on Bonds of such Series secured by said Account of the Debt Service Reserve Fund or to fund any reserve for the payment of the principal and Sinking Fund Installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bonds of such Series secured by said Account of the Debt Service Reserve Fund or (ii) pay such amount to the Applicable Construction Account if, in the opinion of Bond Counsel, application of such moneys to the payment of Project Costs will not adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income for Federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Account of the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Account Requirement for such Series of Bonds.

(d) Except as otherwise provided in any Series Supplemental Indenture, the Trustee shall value each Account held in the Debt Service Reserve Fund at least ten days prior to each Interest Payment Date for the related Series of Bonds, upon the written request of the Lessee and upon a withdrawal from any Account of the Debt Service Reserve Fund pursuant to paragraph (c) (ii) of this Section 5.07. If upon a valuation, the aggregate of the moneys and investments held for the credit of any Account held in the Debt Service Reserve Fund is less than the Applicable Debt Service Reserve Account Requirement for the related Series of Bonds, the Trustee shall promptly notify the Agency and the Lessee of such deficiency and, except as otherwise provided in the Applicable Series Supplemental Indenture authorizing the Bonds secured by such Account of the Debt Service Reserve Fund, the Agency shall cause the Lessee to deliver to the Trustee moneys or investments the value of which is sufficient to increase the amount on deposit in such Account of the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Account Requirement for such Series of Bonds in accordance with Section 3.4(j) of the IDA Lease Agreement.

SECTION 5.08 Payments into Rebate Fund; Application of Rebate Fund. (a) The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, the Lessee or any Bondholder or any other Person.

(b) Deposits into the Rebate Fund shall be made pursuant to the Applicable Tax Certificate, the terms of which are incorporated by reference herein, and amounts on deposit in the Rebate Fund that are required to be paid to the United States Department of the Treasury pursuant to the Code shall be paid at the times and in the amounts set forth in or determined in accordance with the Applicable Tax Certificate.

SECTION 5.09 Direction Necessary for Transfers to Rebate Fund. The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from the Lessee to make such transfer.

SECTION 5.10 Investment of Funds and Accounts. (a) Amounts in the Rebate Fund, Lease Payments Fund, Bond Fund, Debt Service Reserve Fund, Project Fund and Mortgage Reserve Fund, may, if and only to the extent then permitted by law, be invested but only in Qualified Investments (except that moneys received from payments under a Credit Facility pursuant to a Series Supplemental Indenture shall be invested pursuant to the Applicable Credit Facility Agreement and any amounts held in any account established within the Bond Fund pursuant to Section 10.01 hereof shall be invested solely in Government Obligations). Any investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of any Series of Tax-Exempt Bonds shall be used, directly or indirectly, in such a manner as to cause any such Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the specific written request of an Authorized Representative of the Lessee. Except for amounts held in the Mortgage Reserve Fund, any investment hereunder shall be made in accordance with the Applicable Tax Certificate, and the Lessee shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund or Account in which such investment is held. Net income or gain received and collected from such investments shall be credited and losses charged to the applicable Fund or Account for which such investment shall have been made; provided, however, that such net income or gain shall be credited to (i) the Applicable Interest Account of the Bond Fund with respect to the investment of amounts held in the Applicable Interest Account, Principal Account, Redemption Account or Sinking Fund Installment Account of the Bond Fund, (ii) the Applicable Construction Account of the Project Fund with respect to the investment of amounts held in such Construction Account and in the Applicable Account of the Debt Service Reserve Fund until completion of the Project and the Applicable Redemption Account of the Bond Fund with respect to investments in such Construction Account of the Project Fund subsequent to completion of the Project and (iii) the Applicable Account of the Debt Service Reserve Fund with respect to the investment of amounts held in said Account of the Debt Service Reserve Fund after completion of the Project.

(b) At the written request of the Lessee and at least ten (10) days prior to each Interest Payment Date for a Series of Bonds, the Trustee shall notify the Lessee of the amount of such net investment income or gain received and collected subsequent to the last such rental payment under Section 3.4(a) of the IDA Lease Agreement with respect to such Series of Bonds and the amount then available in the various related Accounts of the Bond Fund and any amounts then available in the Lease Payments Fund.

(c) Upon the written direction of an Authorized Representative of the Lessee, the Trustee shall sell at the best price obtainable by it, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts to make any payments required to be made therefrom, or to

facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of this Article. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the Lessee.

(d) Neither the Trustee nor the Agency shall be liable for any loss, fee, tax or other charge arising from, or any depreciation in the value of, any obligations in which moneys of the Funds and Accounts shall be invested or in connection with any liquidation of an investment hereunder. The investments authorized by this Section 5.10 shall at all times be subject to the provisions of applicable law, as amended from time to time.

(e) Qualified Investments shall be valued at the market value of such investments, inclusive of accrued interest.

SECTION 5.11 Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account (except for the Rebate Fund or Bond Purchase Fund) under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders and while held by the Trustee constitute part of the trust estate, and subject to the lien hereof (except that any amounts held in any Account of the Debt Service Reserve Fund shall be held solely as security for the Series of Bonds secured by such Account of the Debt Service Reserve Fund and moneys drawn from any Reserve Fund Facility will be held solely as security for the Series of Bond Secured by such Reserve Fund Facility).

SECTION 5.12 Repayment to the Lessee from the Funds. After payment in full of the Bonds in accordance with Section 10.01 hereof and the payment of all fees, charges and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid hereunder and under each of the Security Documents, and the payment of any amounts required to be paid to any Credit Facility Provider pursuant to any Credit Facility Agreement and the payment of any amounts which the Trustee is directed to rebate to the Federal government pursuant to the Indenture, all amounts remaining in the Rebate Fund (which are not required to be delivered to the United States government), Project Fund, Bond Fund, Lease Payments Fund or Debt Service Reserve Fund shall be paid to the Agency and paid by the Agency to the Lessee, as rebate of rental.

SECTION 5.13 Mortgage Reserve Fund.

(a) There shall be established hereunder a separate Mortgage Reserve Fund within which there shall be created a Foreclosure Payment Account. The Trustee shall deposit to the credit of the Foreclosure Payment Account any amounts provided by the Lessee pursuant to Section 6.17(f) of the IDA Lease Agreement.

(b) In lieu of or in substitution for Bond proceeds or moneys required to be deposited into the Mortgage Reserve Fund the Lessee 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; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association reasonably consented

to by the Agency and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if the Bonds of such Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Bonds and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a Federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Bonds of such Series are not rated by Moody's and S&P, by whichever of said rating services that then rates such Bonds.

(c) In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Foreclosure Payment Account Requirement unless the Trustee and each provider of a Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the provider thereof and is valid, binding and enforceable in accordance with its terms, and (ii) in the event such provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to such Reserve Fund Facility provider.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Mortgage Reserve Fund.

For the purposes of this Section and Section 5.10 hereof, in computing the amount on deposit in the Mortgage Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

(d) [Reserved]

(e) 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 under Section 92 of the PA Lease (or any similar amounts to the City under the City-American Lease) or (ii) subsequent to a Notice of Termination, a Bonds Default or a Bankruptcy Rejection Date (as such terms are defined in Section 92 or any similar provision of the City-American Lease), 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.

(f) [Reserved]

(g) 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 Agency and the Lessee of such deficiency and, the Agency shall cause the Lessee 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 first be applied ratably and equally to satisfy any deficiency then existing in any Account held in the Debt Service Reserve Fund and second be withdrawn by the Trustee and paid to the Lessee.

(h) Any monies remaining in the Mortgage Reserve Fund after repayment of the Bonds shall be paid to the Lessee free and clear of the lien of this Indenture. Any Reserve Fund Facility on deposit in the Mortgage Reserve Fund after repayment of the Bonds shall be surrendered to the issuer thereof for cancellation.

(i) With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys as required hereunder.

## ARTICLE VI
## REDEMPTION OF BONDS

SECTION 6.01 Privilege of Redemption and Redemption Price. Bonds of a Series or portions thereof subject to redemption prior to maturity shall be redeemable, upon mailed notice as provided in this Article, at the times, at the Redemption Prices and upon such terms in addition to and consistent with the terms contained in this Article as shall be specified in the Series Supplemental Indenture authorizing the issuance thereof and in said Bonds.

SECTION 6.02 Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity, the particular 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 Bonds of a Series and maturity to be redeemed from Sinking Fund Installments shall be selected by lot. In the event of the redemption of less than all the Outstanding Bonds of the same Series stated to mature on different dates, the principal amount of such Bonds to be redeemed shall be applied to the maturities as directed by the

Lessee. The portion of any Bond to be redeemed in part shall be in the principal amount of the minimum authorized denomination thereof or some integral multiple thereof and, in selecting a Bond for redemption in part, the Trustee shall treat that Bond as representing that number of Bonds that is obtained by dividing the principal amount of such registered Bond by the minimum denomination (referred to below as a "unit") then issuable rounded down to the integral multiple of such minimum denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such 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 Bond or Bonds of the same Series and maturity in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such 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).

SECTION 6.03 Notice of Redemption. Unless a Supplemental Indenture provides otherwise with respect to a Series of Bonds, this Section shall govern redemption notices for all Bonds. When the redemption of any Bonds of a Series is requested or required pursuant to the Indenture, the Trustee shall give notice of such redemption in the name of the Agency, specifying the Series, CUSIP number, Bond numbers, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Bonds of such Series 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 Bonds of such Series or portions thereof to be payable and, if less than all of the Bonds of a Series of any maturity are to be redeemed, the numbers of such Bonds of such Series or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond of such Series or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee, in the name and on behalf of the Agency, (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than 45 nor less than 30 days prior to the date fixed for redemption of such Series of Bonds, to the registered owners of any Bonds of such Series 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 Bonds of a Series with respect to which proper mailing was effected; and (ii) shall cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices and shall cause notice of such redemption to be sent the Applicable Credit Facility Provider relating to such Series of Bonds provided such Credit Facility Provider shall have given its address to the Trustee. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means

selected by the Trustee in its discretion. If any Bond of a Series shall not be presented for payment of the Redemption Price within sixty (60) days of the redemption date, the Trustee shall mail a second notice of redemption to such Holder by first class mail, postage prepaid. Any notice of optional redemption may provide that the redemption of Bonds described therein is conditioned upon receipt by the Trustee, on or before the date fixed for redemption, of sufficient funds to pay the Redemption Price of the Bonds to be redeemed and such notice shall be of no effect if moneys sufficient to pay the Redemption Price of the Bonds to be redeemed have not been deposited with the Trustee on or before the date fixed for redemption. Any amounts held by the Trustee due to non-presentment of Bonds for payment on any redemption date shall be retained by the Trustee for a period of one year after the such redemption date and invested in overnight funds with the interest thereon credited to the Lessee in accordance with Section 5.10 hereof, and any such amounts still held after the expiration of such period after the payment of any amounts due and owing to any Credit Facility Provider shall then be remitted to the Lessee.

SECTION 6.04 Payment of Redeemed Bonds; Certain Consequences of Redemption and Defeasance. (a) Notice having been given in the manner provided in Section 6.03 hereof, the Bonds of a Series of or portions thereof so called for redemption (unless such call has been rescinded) shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to but not including the redemption date. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds or any such Series or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. In such event, such call for redemption shall be rescinded, and notice of such rescission shall be furnished to affected Holders by the Trustee within sixty (60) days thereof.

(b) Payment of the Redemption Price plus interest accrued to the Redemption Date shall be made by check in any coin or currency of the United States of America, which, on the date of payment thereof, is legal tender for the payment of public or private debts to or upon the order of the registered owner only upon presentation of such Bonds for cancellation and exchange as provided in the notice of redemption given pursuant to Section 6.03 hereof or as may be provided in any Supplemental Indenture hereto; provided, however, that any Holder of at least $500,000 in aggregate principal amount of Bonds of a Series may, by written request to the Trustee, direct that payments of Redemption Price and accrued interest to the date of redemption be made by wire transfer in Federal funds at such wire transfer address as the owner shall specify to the Trustee in such written request.

(c) All Bonds of Series redeemed in full under the provisions of this Article shall forthwith be canceled and returned to the Agency and no Bonds of such Series shall be executed, authenticated or issued hereunder in exchange or substitution therefor, or for or in respect of any paid portion of such Series of Bonds.

(d) If all Bonds of any Series are redeemed in accordance herewith and any Series Supplemental Indenture and such Bonds have been paid in accordance with the provisions of Article X hereof, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability with respect to such Series, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price with respect thereto shall constitute full and complete payment and satisfaction to the Holders of the Bonds of such Series for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(e) If the lien of the Indenture has been defeased in accordance with Article X hereof prior to the occurrence of an event permitting or requiring redemption of a Series of Bonds, the affected Series of Bonds will not be subject to redemption with respect to any such event, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

## ARTICLE VII
## PARTICULAR COVENANTS

SECTION 7.01 Agency's Obligations Not to Create a Pecuniary Liability. Each and every covenant herein made, including all covenants made in the various sections of this Article VII, is predicated upon the condition that any obligation for the payment of money incurred by the Agency shall not create a debt of the State nor the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds and any other obligation for the payment of money incurred by the Agency hereunder shall not be payable out of any funds of the Agency other than those pledged therefor but shall be payable by the Agency solely from the amounts or Funds available to the Trustee and under any Credit Facility, if any, securing a particular Series of Bonds, the amounts payable by the Lessee under the IDA Lease Agreement pledged to the payment thereof in the manner and to the extent in the Indenture, amounts payable to the Trustee as Secured Party under the Equipment Security Agreement and amounts payable to the Leasehold Mortgagee under the Leasehold Mortgage, and nothing in the Bonds, in the IDA Lease Agreement, in the Indenture, in the Equipment Security Agreement or in any other Security Documents shall be considered as pledging any other funds or assets of the Agency.

SECTION 7.02 Payment of Principal and Interest. The Agency covenants that it will from the sources herein contemplated promptly pay or cause to be paid the principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on the Bonds, together with interest accrued to but not including the date of redemption, 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 Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installment, or Redemption Price, if any, of or interest on the Bonds or for any claim based thereon or hereunder against any such member, officer, director,

employee or agent or against any natural person executing the Bonds. Neither the Bonds, the Purchase Price, Sinking Fund Installment, or Redemption Price, if any, thereof or interest thereon, shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor. The Agency shall not be required under the Indenture or any other Security Documents to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the lease rentals, revenues and receipts, rental income and other moneys held or derived from or in connection with the Facility and payable by the Lessee under the IDA Lease Agreement, as amended by any IDA Lease Amendment and pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

SECTION 7.03 Performance of Covenants; Authority. The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered hereunder and thereunder and in all proceedings pertaining hereto or thereto. The Agency covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute the Indenture, to lease the Facility pursuant to the IDA Lease Agreement, to assign the IDA Lease Agreement, to pledge the lease rentals, revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds of a Series and the execution and delivery of the Indenture have been duly and effectively taken; and that each Series of Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Agency according to the import thereof.

SECTION 7.04 Books and Records; Certificate as to Defaults. The Agency and the Trustee each covenant and agree that proper books of record and account will be kept showing complete and correct entries of all transactions relating to the Project and the Facility, and that the Holders of any of the Bonds shall have the right at all reasonable times to inspect records, accounts and data relating thereto. In this regard, records furnished by the Agency and the Lessee to, or kept by, the Trustee in connection with its duties as such shall be deemed to be in compliance with the Agency's obligations under this Section 7.04. Within thirty (30) days after receiving the certificate from the Lessee as provided in Section 6.6(b) of the IDA Lease Agreement, the Trustee shall render to the Agency a statement that moneys received by the Trustee pursuant to the IDA Lease Agreement were applied by it to the payment of the principal, purchase price or Redemption Price, if any, of, Sinking Fund Installments, if any, for and interest on the Bonds, at the place, on the dates and in the manner provided in the Indenture and that the Trustee has no knowledge of any defaults under the Indenture or the IDA Lease Agreement or any Security Document or specifying the particulars of such defaults which may exist.

SECTION 7.05 IDA Lease Agreement. It is understood and agreed that the Facility will be leased to the Lessee under the IDA Lease Agreement and that pursuant to the Consent Agreement the Port Authority has consented to the IDA Lease Agreement and to the form of IDA Lease Amendments contained as an exhibit to the Consent Agreement. An executed copy of the IDA Lease Agreement and each IDA Lease Amendment and the Consent Agreement will be on file in the office of the Agency and in the principal corporate trust office of the Trustee. Reference is hereby made to the IDA Lease Agreement for a detailed statement of

the terms and conditions thereof and for a statement of the rights and obligations of the parties thereunder. Reference is hereby made to the Consent Agreement for a detailed statement of the terms and conditions thereof and for a statement of the rights and obligations of the parties thereunder. All covenants and obligations of the Lessee under the IDA Lease Agreement shall be enforceable either by the Agency or the Trustee, to whom, in its own name or in the name of the Agency, is hereby granted the right (to the extent herein provided therefore and subject to Section 9.05 hereof) to enforce all rights of the Agency and all obligations of the Lessee under the IDA Lease Agreement, whether or not the Agency is enforcing such rights and obligations provided however, that except for its rights as Leasehold Mortgagee under the Leasehold Mortgage, the Trustee shall have no Possessory Rights and Remedies with respect to the Leased Facilities. The Trustee shall take such action in respect of any matter as is provided to be taken by it in the IDA Lease Agreement upon compliance or noncompliance by the Lessee and the Agency with the provisions of the IDA Lease Agreement .

SECTION 7.06 Creation of Liens; Indebtedness; Sale of Facility. The Agency shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the revenues and rental income derived from or in connection with the Facility and assigned to the Trustee under the Indenture, except the lien, charge and pledge created by Indenture, the Equipment Security Agreement, and the IDA Lease Agreement. The Agency further covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Facility or any part thereof except as specifically permitted under the Indenture, any Series Supplemental Indenture, the Equipment Security Agreement, or the IDA Lease Agreement.

SECTION 7.07 Instruments of Further Assurance. The Agency covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such Series Supplemental Indentures and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property described herein subject to the lien, pledge and security interest of the Indenture and in the Leasehold Mortgage and the lease rentals, revenues and receipts pledged hereby to the payment of the principal, Purchase Price or Redemption Price, if any, of and interest on any Series of Bonds. The Agency will not be required to take any action which would be inconsistent with the ATL, the RNDA, the City-American Lease, if any, the PA Lease or the Consent Agreement. The Agency may rely upon an Opinion of Counsel in making such determination.

SECTION 7.08 Recording and Filing. (a) The security interest of the Trustee created by the Indenture in the non-possessory rights and interests herein described, shall be perfected by the filing by the Agency in the office of the Secretary of State of the State of New York in the City of Albany, New York, and in the office of the New York County Register, of financing statements which fully comply with the New York Uniform Commercial Code - Article IX, Secured Transactions. Financing and continuation statements shall be filed and re-filed by the Trustee whenever pursuant to the New York Uniform Commercial Code - Article IX, Secured Transactions such action is necessary to preserve the lien and security interest hereof. Any such re-recordings, re-indexings, filings or re-filings shall be prepared by the Lessee and

accompanied with any fees or requisite charges. The Trustee will promptly notify the Lessee of any such filings.

The Lessee will, within ten (10) days after notice of any such filing, recording or other act, cause there to be furnished to the Agency and the Trustee an Opinion of Counsel as to the adequacy and reciting the details of such filing, recording or other act and specifying any re-recording, re-filing or other act to be effected in the future with respect to the Lease Agreement, the Indenture, any Security Document or financing statements.

(b) All costs (including reasonable attorneys' fees and expenses) incurred in connection with the effecting of the requirements specified in this Section shall be paid by the Lessee by way of additional rent under the IDA Lease Agreement.

SECTION 7.09 Records Held by the Trustee. Upon reasonable written request, the Trustee shall make available to the Lessee for its inspection during normal business hours, its records with respect to the Project and the Facility.

SECTION 7.10 Certain Acknowledgements. The Agency, the Trustee and each Bondholder (by the purchase and acceptance of a Bond) hereby acknowledge and agree that the IDA Lease Agreement and the Company Sublease are subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement, and the City-American Lease (upon the effectiveness thereof), and except with respect to the RNDA or except upon the effectiveness of the City-American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided, however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement including under Sections 3.4 or 3.8 of the IDA Lease Agreement, or release the Lessee or AMR from its guaranty obligations under the Guaranty.

SECTION 7.11 Trustee's Obligations under the IDA Lease Agreement and Leasehold Mortgage. (a) The Trustee shall perform the actions contemplated to be taken by it under Section 6.17(i) of the IDA Lease Agreement with respect to recording of the Leasehold Mortgage.

(b) Upon receipt by the Trustee as Leasehold Mortgagee of the Lessee's Notice of Intent to Deliver the Leasehold Mortgage to the Leasehold Mortgagee fully executed in the form of Exhibit P to the Consent Agreement, the Trustee shall in reliance thereon and within five (5) business days of its receipt of the same notify the City in the manner set forth in Section 13.03 that the Reletting Rights Effective Date has occurred.

(c) Upon the occurrence of a RNDA Effective Date the Trustee together with the Agency, AMR and the Lessee shall in accordance with Section 2 of the RNDA execute and deliver to the City an agreement in recordable form reasonably necessary and appropriate to evidence the Consent Protections.

## ARTICLE VIII
## EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS

SECTION 8.01 Events of Default; Acceleration of Due Date.

(a) Each of the following events is hereby defined as and shall constitute an "Event of Default" hereunder:

(i) Failure in the payment of the interest on any Bond when the same shall become due and payable and, if no Credit Facility is in effect with respect to such Bond, the continuation of such failure for (5) Business Days;

(ii) Failure in the payment of the principal or Redemption Price, if any, of, or Sinking Fund Installment for, any Bond, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon and, if no Credit Facility is in effect with respect to such Bond, the continuation of such failure for (5) Business Days;

(iii) Failure to duly and punctually pay the Purchase Price of any Bond tendered or deemed tendered for purchase pursuant to a Series Supplemental Indenture;

(iv) Failure of the Agency to observe or perform any covenant, condition or agreement in any Bonds or under the Indenture on its part to be performed (except as set forth in Section 8.01(a)(i), (ii) or (iii) hereof) and (A) continuance of such failure for a period of sixty (60) days after receipt by the Agency and the Lessee of written notice specifying the nature of such default from the Trustee or the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said sixty (60) days, the Agency or the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(v) The occurrence of an "Event of Default" under the IDA Lease Agreement or the occurrence of an event of default under the Guaranty or the Leasehold Mortgage;

(vi) The occurrence of an Act of Bankruptcy; provided, that with respect to the filing of an involuntary petition in bankruptcy or other commencement of a bankruptcy or similar proceeding against the Lessee or the Guarantor, such petition or proceeding shall remain undismissed or unstayed for ninety (90) days; or

(vii) (A) The date of termination of the PA Lease as set forth in the notice from the Port Authority to the Trustee pursuant to Section 92(l) of the PA Lease to the effect that the Port Authority will terminate the PA Lease pursuant to Section 20 thereof or (B) the date of termination of the City-American Lease as set forth on a notice from the City to the Trustee in accordance with the City-American Lease to the effect that the City will terminate the City-American Lease pursuant to the provisions thereof; provided however, such termination of

the City-American Lease shall not result in an Event of Default hereunder if the Lessee is reinstated as or becomes tenant as described in Section 94(c)(1) of the Port Authority Lease; or

(viii) 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 Lessee to pay said amount in accordance with Section 92(m) of the PA Lease within twenty (20) days after notice of the same from the Leasehold Mortgagee.

(b) Upon the happening and continuance of an Event of Default under subsections (iv), (v), or (viii) the Trustee may, or at the direction of the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Agency, the Lessee and the Guarantor) the Trustee shall, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Indenture or in any of such Bonds to the contrary notwithstanding. Upon such declaration, the same shall become and be immediately due and payable, and the principal installments of rent payable under Section 3.4 of the IDA Lease Agreement (together with interest accrued thereon to the date of such declaration) shall also become and be immediately due and payable and the Trustee shall promptly draw on any Credit Facility then in effect to the extent permitted by the terms thereof in an amount equal to the principal of, and accrued interest on, the Bonds then due and payable.

(c) Upon the happening of any Event of Default specified in Section 8.01(i), (ii), (iii), or (vii), the Trustee shall immediately declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Indenture or in any of such Bonds to the contrary notwithstanding. Upon such declaration, the same shall become and be immediately due and payable, and principal installments of rent payable under Section 3.4 of the IDA Lease Agreement (together with interest accrued thereon to the date of such declaration) shall become immediately due and payable and the Trustee shall promptly draw on any Credit Facility then in effect to the extent permitted by the terms thereof, in an amount equal to the principal of, and accrued interest on, the Bonds secured thereby then due and payable. Upon the occurrence and continuance of such Event of Default pursuant to Section 8.01(a)(vii), the Agency or the Trustee shall terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein granted or vested in the Lessee shall cease and terminate.

(d) If there shall occur an Event of Default under Section 8.01(a)(vi) above the unpaid principal of all the Bonds Outstanding and the interest accrued thereon (and all installments of rent under the IDA Lease Agreement) shall be due and payable immediately without the necessity of any declaration or other action by the Trustee or any other Person, and the Trustee shall promptly draw on any Credit Facility then in effect to the extent permitted by the terms thereof in an amount equal to the principal of, and accrued interest on, the Bonds secured thereby then due and payable.

(e) The right of the Trustee or of the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed have been paid by or for the account of the Agency, and all other Events of Default with respect to such Bonds have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Agency or provision satisfactory to the Trustee shall be made for such payment and if the Bonds so in default are secured by a Credit Facility, the Credit Facility Provider thereof shall have confirmed in writing that the Credit Facility has been fully reinstated (except as to any Bonds held as Bank Bonds by such Credit Facility Provider for the account of the Lessee) and shall provide to the Trustee its written consent and rescissions of such default, and all defaults with respect to the Bonds have been otherwise remedied as provided in this Article VIII, then in every such case any such default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon; provided, however, that if the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding shall have directed such declaration of acceleration, the Trustee shall not annul such declaration and its consequences without the prior consent of the Holders of greater than fifty per centum (50%) in aggregate principal amount of the Bonds Outstanding.

(f) Pursuant to the IDA Lease Agreement the Agency has granted to the Lessee full authority for the account of the Agency to perform any covenant or obligation the non-performance of which is alleged in any notice received by the Lessee to constitute a default hereunder, in the name and stead of the Agency with full power to do any and all things and acts to the same extent that the Agency could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Lessee as performance by the Agency.

SECTION 8.02 Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, provided that the Trustee has delivered the notice required by Section 8.10, then and in every case the Trustee may proceed, and upon the written request of the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce the rights of the Bondholders and its rights under the Act, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement and under any other of the Security Documents forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other of the Security Documents or in aid of the execution of any power granted in, but solely as provided in, the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement or in any other of the Security Documents or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other of the Security Documents. In addition to any rights or remedies available to the Trustee hereunder or

elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable.

(b) In the enforcement of any right or remedy with respect to the Bonds under the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement or any other of the Security Documents, the Bonds or under the Act, the Trustee shall be entitled to, and shall sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Agency or from the Lessee relating to interest, principal, Purchase Price, Sinking Fund Installments, Redemption Price, or otherwise, under any of the provisions of the Indenture, or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, the Leasehold Mortgage, the Equipment Security Agreement, the Guaranty or under any such other of the Security Documents and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Agency, but solely as provided in the Indenture, the Leasehold Mortgage, the Guaranty, the Equipment Security Agreement and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Lessee, any of the other obligors under any other of the Security Documents, the Agency or their creditors or property.

(c) Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of at least twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding, and in each case furnished with security and indemnity satisfactory to it, shall institute and maintain such suits and proceedings with respect to the Bonds as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture, the Guaranty, the Equipment Security Agreement, the Leasehold Mortgage or under any other Security Documents by any acts which may be unlawful or in violation of the Indenture, the Equipment Security Agreement, the Guaranty, the Leasehold Mortgage or under any other of the Security Documents or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture.

(d) No action taken pursuant to this Article VIII shall be inconsistent or contrary to the terms and provisions of Section 8.12 hereof.

SECTION 8.03 Application of Revenues and Other Moneys After Default.

(a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article under the Equipment Security Agreement, the Guaranty

or the Leasehold Mortgage or under any other Security Documents shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to Section 9.04, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First - To the payment to the persons entitled thereto of all installments of interest then due on such 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; and

Second - To the payment to the persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds which shall have become due (other than Bonds or principal installments 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, and, if the amount available shall not be sufficient to pay in full the Bonds or principal installments due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon such Bonds and, if applicable, to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(3) If the principal of all the Bonds and interest thereon shall have been declared due and payable, and if such declaration shall thereafter shall have been rescinded and annulled under the provisions of this Article VIII, then, subject to the provisions of Section 8.03(a) (2) hereof which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of Section 8.03(a) (1) hereof.

Notwithstanding the foregoing provisions, amounts drawn under any Credit Facility held hereunder with respect to a particular Series of Bonds shall be applied solely to the payments amounts due on such Series of Bonds secured by such Credit Facility.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds with respect to a Series of Bonds, it shall fix the date (which shall be an Interest Payment Date for such Series of Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue; provided, however, that if the principal or Redemption Price of all of the Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to Section 8.01 hereof, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Bondholders as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

SECTION 8.04 Actions by Trustee. All rights of action under the Indenture, under the Leasehold Mortgage, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions of Section 8.03 hereof, be for the equal benefit of the Holders of the Outstanding Bonds.

SECTION 8.05 Majority Bondholders Control Proceedings. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the 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 hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided, further, if Bonds of a Series are secured by a Credit Facility, for so long as such Applicable Credit Facility is outstanding and no default specified in subsections 8.01(a)(i), (ii), or (iii) has occurred and is continuing with respect to such Bonds, the Applicable Credit Facility Provider shall have the right to direct all proceedings on behalf of the holders of the Bonds of such Series secured thereby and to vote the Bonds of such Series secured thereby for all purposes hereunder.

SECTION 8.06 Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Documents with respect to such Bond or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Documents, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in this Article, and the Holders of at least twenty-five per centum (25%) in aggregate principal amount

of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or such other Security Documents or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby (other than costs, expenses and liabilities related to acceleration), and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of Section 8.03 hereof, be for the equal benefit of all Holders of the Outstanding Bonds.

(b) Nothing contained in the Indenture, in any other Security Document or in the Bonds shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on any Bond at and after the maturity thereof, or the obligation of the Agency to pay the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner herein and in said Bonds expressed.

SECTION 8.07 Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

SECTION 8.08 Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

SECTION 8.09 Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein: and every power and remedy given by this Article to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

SECTION 8.10 Notice of Default. The Trustee shall promptly mail to the Agency, to registered Holders of Bonds and to the Lessee, the Guarantor and each Applicable Credit Facility Provider, if any, by first class mail, postage prepaid, written notice of the occurrence of

any (i) Event of Default with respect to the Bonds and (ii) the receipt by the Trustee as mortgagee under the Leasehold Mortgage of a Notice of Termination pursuant to and as defined in Section 92(a) of the PA Lease as amended or any similar notice of termination of or default under the City-American Lease or the ATL. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by this Section.

SECTION 8.11 Waivers of Default. The Trustee shall waive any default hereunder and its consequences and rescind any declaration of acceleration upon the written request of the Holders of greater than 50% in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of Holders of all the Bonds Outstanding (a) any default in the payment of the principal, Purchase Price or Redemption Price of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal, Purchase Price and Redemption Price with respect to such Bonds when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for; and in case of any such waiver or rescission, or in case any proceeding 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 Agency, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 8.12 Limitation of Remedies. The Agency and the Trustee hereby represent to and agree with the Port Authority that (a) the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement and (b) neither the Agency, nor the Bondholders, nor the Trustee (except as Leasehold Mortgagee under or pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Lessee, the Agency and the Trustee hereby represent to and agree with the Port Authority that neither they nor the Bondholders shall have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies under or pursuant to the Leasehold Mortgage or Section 92).

In addition to and without limiting the foregoing, the Trustee and each Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92, Section 92 shall govern.

## ARTICLE IX
## TRUSTEE AND PAYING AGENTS

SECTION 9.01 Appointment and Acceptance of Duties. (a) The Bank of New York, New York, New York is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations of the Trustee hereunder and under each Security Document by executing this Master Indenture and each Applicable Series Supplemental Indenture and agrees to perform said trusts as a corporate trustee ordinarily would under a corporate mortgage subject to the express terms and conditions herein. All provisions of this Article IX shall be construed as extending to and including all the rights, duties and obligations imposed upon the Trustee under the IDA Lease Agreement, under each Tax Certificate and under any other Security Document to which it shall be a party as fully for all intents and purposes as if this Article IX were contained in the IDA Lease Agreement, such Tax Certificate and each such other Security Document.

(b) The Bank of New York, New York, New York is hereby appointed as Paying Agent for the Bonds. The Agency may also from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 9.09 for the appointment of a successor Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency, and in the case of all Paying Agents other than the Trustee, to the Trustee a written acceptance thereof. The principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal or Redemption Price, if any, of Sinking Fund Installments for, and interest on, the Bonds.

SECTION 9.02 Indemnity. The Trustee, in its capacity as the Trustee, the Paying Agent or the Bond Registrar, shall be under no obligation to institute any suit, or to take any remedial action under the Indenture (other than accelerating the Bonds when required by the Indenture), or under any other Security Documents or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers under the Indenture, or under any other Security Documents, until it shall be indemnified to its satisfaction against any and all reasonable expenses for services, costs, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or negligence; provided, however, that the Trustee shall nevertheless be obligated to make payments (from the sources herein specified) on the Bonds when due in the Indenture, all at the times and in the manner specified in the Indenture.

SECTION 9.03 Responsibilities of Trustee. (a) The Trustee shall have no responsibility in respect of the validity or sufficiency of the Indenture or of any other Security Document or the security provided hereunder or thereunder or the due execution of the Indenture by the Agency, or the due execution of any other Security Document by any party (other than the

Trustee) thereto, or in respect of the title or the value of the Facility, or in respect of the validity of the Bonds authenticated and delivered by the Trustee in accordance with the Indenture or to see to the recording or filing of the Indenture or any other document or instrument whatsoever except as otherwise provided in Section 7.08. The recitals, statements and representations contained in the Indenture and in the Bonds shall be taken and be construed as made by and on the part of the Agency and not by the Trustee, and the Trustee does not assume any responsibility for the correctness of the same; provided, however, that the Trustee shall be responsible for its representation contained in its certificate on the Bonds and for its responsibility as to filing, refiling, recording and re-recording as contained in Section 7.08 referred to above.

(b) The Trustee shall not be liable or responsible because of the failure of the Agency to perform any act required of it by the Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depositary other than itself in which such moneys shall have been deposited under the Indenture or the any Tax Certificate. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the Indenture or any Tax Certificate or for any loss, fee, tax or other charge resulting from any such investment, reimbursement or liquidation of an investment. The Trustee shall not be liable in connection with the performance of its duties under the IDA Lease Agreement, under the Indenture or under any other Security Document except for its own willful misconduct or negligence. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees, agents and servants and persons under the Trustee's control or supervision.

(c) The Trustee, prior to the occurrence of an Event of Default (as defined in Section 8.01) and after curing of all Events of Default which may have occurred, if any, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

(d) The Trustee shall not be liable or responsible for the failure of the Lessee to effect or maintain insurance on the Facility as provided in the IDA Lease Agreement nor shall it be responsible for any loss by reason of want or insufficiency in insurance or by reason of the failure of any insurer in which the insurance is carried to pay the full amount of any loss against which it may have insured the Agency, the Lessee, the Trustee or any other Person.

(e) The Trustee shall execute (without the necessity of obtaining the signature of the Lessee) and cause to be filed those continuation statements, any additional financing statements and all other instruments required by it by Section 7.08 hereof.

(f) The Trustee shall on the same date as it shall render the statement required of it by Section 7.04 of the Indenture, make annual reports to the Agency, the Lessee, the Guarantor, any Credit Facility Provider and the Bondholders of all moneys received and

expended during the preceding year by it under the Indenture and of any Event of Default known to it under the IDA Lease Agreement or the Indenture or under any other Security Document.

(g) In performing its duties and obligations under each Tax Certificate, the Trustee shall not be required to make any payment of a Rebate Requirement or any transfer of funds or take any other action required to be taken thereunder except upon the receipt of a written certificate of direction of an Authorized Representative of the Lessee delivered to the Trustee in accordance with the terms of such Tax Certificate. Notwithstanding any provision of a Tax Certificate or any other Security Document, nothing in any Tax Certificate, either expressed or implied, shall be deemed to impose upon the Trustee any responsibility for the legal sufficiency of such Tax Certificate to effect compliance with the Code.

(h) Subject to subsection (b) above, if consent of the Trustee is required under the Indenture, the IDA Lease Agreement, the Leasehold Mortgage, the Guaranty or any other Security Document to consent to any action or event, the Trustee may, but shall not be obligated to, solicit consents therefor in accordance with Section 13.01 hereof from Holders of the Bonds and shall not be in any way obligated to consent to any such action or event without the prior consent of a majority of the Holders of such Bonds.

(i) The Trustee may consult with counsel of its selection chosen with due care and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(j) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 9.04 Compensation. The Trustee and Paying Agents shall be entitled to receive and collect from the Lessee as provided in the IDA Lease Agreement payment or reimbursement for its agreed upon fees for services rendered hereunder and under each other Security Document and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee or Paying Agents in connection therewith. Upon an Event of Default (as defined in Section 8.01), but only upon an Event of Default, the Trustee and Paying Agents shall have a first right of payment prior to payment of rent in respect of the principal of or interest on any Bonds, upon the revenues (but not including any amounts held by the Trustee under Section 10.01, any amounts required to satisfy amounts due under Section 4.3 of the IDA Lease Agreement or any amounts drawn under a Credit Facility, or a Reserve Fund Facility) for the foregoing advances, fees, costs and expenses incurred. The provisions of this Section shall survive the termination of the Indenture.

SECTION 9.05 Evidence on Which Trustee May Act. (a) In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as such Trustee, and in any case in which the Indenture provides for permitting or taking any action, it may conclusively rely upon any certificate required or permitted to be filed with it under the

provisions of the Indenture, and any such certificate shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact.

(b) The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of the Indenture, or, at the sole cost and expense of the Lessee, and when determined necessary in the reasonable discretion of the Trustee, upon the written opinion of any attorney (who may be an attorney for the Agency or an employee of the Lessee), engineer, appraiser, architect or accountant believed by the Trustee to be qualified in relation to the subject matter.

SECTION 9.06 Trustee and Paying Agents May Deal in Bonds. Any national banking association, bank or trust company acting as a Trustee or Paying Agent, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if such association, bank or trust company were not such Trustee or Paying Agent.

SECTION 9.07 Resignation or Removal of Trustee. The Trustee may resign and thereby become discharged from the trusts created under the Indenture for any reason by giving written notice by registered or certified mail, postage prepaid, to the Agency, to the Lessee and to the Holders of all Bonds not less than sixty (60) days before such resignation is to take effect, but such resignation shall not take effect until the appointment and acceptance thereof of a successor Trustee pursuant to Section 9.08 hereof.

The Trustee may be removed at any time by an instrument in writing filed with the Trustee and signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. Such removal shall become effective either upon the appointment and acceptance of such appointment by a successor Trustee or at the date specified in the instrument of removal. The Trustee shall promptly give notice of such filing to the Agency and the Lessee.

SECTION 9.08 Successor Trustee. (a) If at any time the Trustee shall resign or shall be removed effective prior to appointment and acceptance of a successor Trustee, be dissolved or otherwise become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator thereof, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason or if the Trustee shall resign, the Lessee shall cooperate with the Agency and the Agency shall, after providing the Port Authority with forty-five (45) days prior written notice of the appointment of a Successor Trustee, appoint a successor Trustee and shall use its best efforts to obtain acceptance of such trust by the successor Trustee within (60) days from such vacancy or notice of resignation. Within twenty (20) days after such

appointment and acceptance, the Agency shall notify in writing the Lessee and the Holders of all Bonds.

(b) In the event of any such vacancy or resignation and if a successor Trustee shall not have been appointed within sixty (60) days of such vacancy or notice of resignation, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, after providing the Port Authority with forty-five (45) days prior written notice of the appointment of a Successor Trustee, by an instrument or concurrent instruments in writing, signed by such Bondholders or their attorneys-in-fact thereunto duly authorized and filed with the Agency may appoint a successor Trustee which shall, immediately upon its acceptance of such trusts, and without further act, supersede the predecessor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of subsection (a) or (b), within 90 days of such vacancy or notice of resignation, the Holder of any Bond then Outstanding, the Agency or any retiring trustee or the Lessee may apply, at the expense of the Lessee, to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after providing the Port Authority with forty-five (45) days prior written notice of the appointment of a Successor Trustee, and after providing such further notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) Any Trustee appointed under this Section shall be a national banking association or a bank or trust company, duly organized under the laws of any state of the United States authorized to exercise corporate trust powers under the laws of the State and authorized by law and its charter to perform all the duties imposed upon it by the Indenture and each other Security Document. At the time of its appointment, any Successor Trustee shall have a capital stock and surplus aggregating not less than $40,000,000.

(d) Every successor Trustee shall execute, acknowledge and deliver to its predecessors and also to the Agency an instrument in writing accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor, with like effect as if originally named as such Trustee; but such predecessor shall, nevertheless, on the written request of its successor or of the Agency, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to Section 9.04, execute and deliver an instrument transferring to such successor Trustee all the estate, properties, rights, immunities, powers and trusts of such predecessor; and every predecessor Trustee shall deliver all property and moneys, together with a full accounting thereof, held by it under the Indenture to its successor. Should any instrument in writing from the Agency be required by any successor Trustee for more fully and certainly vesting in such Trustee the estate, properties, rights, immunities, powers and trusts vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall, on request, be executed, acknowledged and delivered by the Agency. Any successor Trustee shall promptly notify the Agency, the Lessee and the Paying Agent of its appointment as Trustee.

(e) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or

consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States and shall be authorized by law and its charter to perform all the duties imposed upon it by the Indenture, and each other Security Document, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

(f) Notwithstanding the provisions hereof regarding prior notice to the Port Authority of the appointment of a Successor Trustee, the consent of the Port Authority shall not be required for the appointment of a Successor Trustee hereunder.

(g) Simultaneously with its appointment as a Successor Trustee hereunder, each Successor Trustee shall be required to acknowledge and consent to the Consent Agreement.

SECTION 9.09 Resignation or Removal of Paying Agent; Successor. (a) Any Paying Agent may at any time resign and effect the discharge of the duties and obligations created by the Indenture by giving at least sixty (60) days' prior written notice to the Agency, the Lessee and the Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by the Agency. Any successor Paying Agent shall be appointed by the Agency, with the prior written approvals of the Trustee and the Lessee (such approvals not to be unreasonably withheld), and shall be a commercial bank or trust company duly organized under the laws of any state of the United States of America or a national banking association, having a capital stock and surplus aggregating at least $40,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law and its charter to perform all the duties imposed upon it by the Indenture.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successors, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

SECTION 9.10 Appointment of Co-Trustee. (a) It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture or under any other Security Document, and in particular in case of the enforcement of any default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee (with the prior written consent of the Agency) appoint an additional institution as a separate trustee or co-trustee. The following provisions of this Section are adopted to these ends.

(b) In the event that the Trustee appoints an additional institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in

such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them. Such co-trustee may be removed by the Trustee at any time, with or without cause.

(c) Should any instrument in writing from the Agency be required by the separate trustee or co-trustee so appointed or removed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

(d) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(e) The Port Authority shall be provided at least forty-five (45) days prior written notice of the appointment of a Co-Trustee hereunder. Notwithstanding the foregoing, the Consent Agreement of the Port Authority shall not be required for the appointment of a Co-Trustee hereunder.

## ARTICLE X
## DISCHARGE OF INDENTURE

SECTION 10.01 Defeasance. (a) Bonds of a Series will be deemed paid for all purposes of the Indenture when (x) the interest rate or interest rates in effect with respect to such Series of Bonds cannot by their terms and under the Applicable Series Supplemental Indenture be adjusted prior to the date on which such Series of Bonds are to be redeemed or their maturity date, if earlier, and such Series of Bonds are not subject to optional tender for purchase prior to the date on which such Bonds are to be redeemed or their maturity date, if earlier, (y) payment of the principal of and the maximum amount of interest that may become due on such Series of Bonds to the due date of such principal and interest, including all regularly scheduled interest payments (whether to maturity, upon redemption, acceleration or otherwise) either (i) has been made in accordance with the terms of such Series of Bonds or (ii) has been provided for by depositing with the Trustee in an account held in the Bond Fund by the Trustee (1) moneys sufficient to make such payment and/or (2) noncallable Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment without regard to the reinvestment thereof; and (z) all compensation and expenses of the Trustee (as well as the fees and expenses of its counsel) pertaining to the Bonds of such Series have been paid or provided to the satisfaction of the Trustee. When a Bond of a Series is deemed paid, it will no longer be secured by or entitled to the benefits of the Indenture except for payment from moneys or Government Obligations under

clause (y)(ii) above and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article III hereof.

Notwithstanding the foregoing, no deposit under clause (y)(ii) above shall be deemed a payment of a Bond of a Series until (A) notice of redemption of such Bond is given in accordance with Article VI hereof or in accordance with the Applicable Series Supplemental Indenture or, if the Bond is not to be redeemed or paid within the next 60 days, until the Lessee has given the Trustee, in form satisfactory to the Trustee, (i) irrevocable instructions to notify, as soon as practicable, the holder of the Bond of such Series, that the deposit required by clause (y)(ii) above has been made with the Trustee and that the Bond of such Series is deemed to be paid under this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond of such Series, and (ii) in the event the amounts deposited pursuant to (y)(ii) above are to be invested in Government Obligations, a report or opinion addressed to the Trustee of an independent certified public accountant or firm of independent certified public accountants satisfactory to the Trustee to the effect that such deposit is an amount sufficient to effect such payment; or (B) the maturity of the Bond of such Series.

(b) When all Outstanding Bonds are deemed paid as provided in Section 10.01(a) above, and all fees and expenses and other amounts due and payable in respect thereof to the Trustee, the Agency and every Credit Facility Provider, if any, under the Indenture, the IDA Lease Agreement, the Equipment Security Agreement and each Credit Facility Agreement, if any, and any other amounts required to be paid to the United States government in accordance with each Tax Certificate or pursuant to the Indenture, shall be paid in full, then, subject to Section 10.01(c) below, the lien of the Leasehold Mortgage, the lien of the Equipment Security Agreement, the obligations of the Guarantor under the Guaranty, the pledge under the Indenture of any lease rentals, revenues or receipts payable by, or any guaranteed obligation of, the Lessee under the IDA Lease Agreement, and the estate and rights hereby granted and all covenants, agreements and other obligations of the Agency to the Holders of all of the Bonds hereunder in respect of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security hereunder, except as to moneys or securities held by the Trustee or the Paying Agents as provided in this Section. At the time of such cessation, termination, discharge and satisfaction, in respect of all of the Bonds, (1) the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Lessee all such instruments as may be appropriate to satisfy such liens and to evidence such discharge and satisfaction, (2) the Trustee and the Paying Agents shall pay over or deliver to the Agency for payment to the Lessee or on its order, as a rebate of rent, all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal of, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents, or (iii) for the payment of any amounts the Trustee has been directed to pay to the United States government in accordance with any Tax Certificate or the Indenture and (3) the Trustee shall return each Guaranty to the respective Guarantor.

(c) Prior to any defeasance of a Series of Bonds becoming effective as provided in Section 10.01(a) above, there shall have been delivered to the Agency and the Trustee an opinion of Bond Counsel, addressed to the Agency and the Trustee, to the effect that (i) interest on Tax-Exempt Bonds of such Series being discharged by such defeasance will not become includable in gross income for federal income tax purposes by reason of such defeasance and (ii) the Bonds of such Series have been paid within the meaning and with the effect expressed in the Indenture.

(d) No provision of this Section 10.01, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds to tender such Bonds for purchase, exchange, register, discharge from registration or replace Bonds, nor limit the rights of the Trustee, or the Paying Agents to compensation in accordance with their agreements theretofore existing, until such Bonds shall have been paid in full. Bonds delivered to the Trustee for payment shall be canceled by the Trustee pursuant to Section 3.08 hereof.

(e) The Trustee shall hold in trust money and/or Government Obligations deposited with it pursuant to the preceding Section and shall apply the deposited money and the money from the Government Obligations in accordance with the Indenture only to the payment of principal of, interest on, or Purchase Price of, the Bonds of such Series defeased in accordance with Article X.

(f) When the Bonds have been paid in full, the Trustee shall so notify the Lessee.

## ARTICLE XI
## AMENDMENTS OF INDENTURE

SECTION 11.01 Limitation on Modifications. The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article.

SECTION 11.02 Supplemental Indentures Without Bondholders' Consent. (a) The Agency and the Trustee may, from time to time and at any time, enter into supplements or amendments to the Indenture without the consent of the Bondholders for any of the following purposes:

(i) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien hereof.

(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 lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iii) To add to the covenants and agreements of the Agency in the Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iv) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(v) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of revenues or other income from or in connection with the Facility or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(vi) To modify or amend such provisions of the Indenture as shall, in the opinion of Bond Counsel delivered to the Agency, be necessary to assure the exclusion of the interest on any Tax-Exempt Bonds from gross income for Federal income tax purposes.

(vii) To authorize the issuance of a Series of Additional Bonds and to prescribe the terms, forms and details thereof consistent with the Indenture.

(viii) To effect any other change herein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(ix) 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 a particular Series of Bonds.

(x) With respect to any Bonds of a Series entitled to the benefits of a Credit Facility, to make any change (other than changes permitted in paragraph (ix) 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 the Bonds of such Series are subject to mandatory tender for purchase.

(xi) To evidence the succession of a new Trustee or the appointment by the Trustee or the Agency of a co-trustee.

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

(xiii) To modify, amend or supplement the Indenture or any supplement hereto in such manner as to permit the qualification hereof and thereof 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, if they so determine, to add to the Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute.

(xiv) To modify or amend the provisions of the Indenture as shall, in the Opinion of Counsel, be necessary to conform the provisions of the Indenture to the City-American Lease and/or the provisions of a leasehold mortgage of the Lessee's leasehold interest under the City-American Lease.

(b) Before the Agency and the Trustee shall enter into any Supplemental Indenture pursuant to this Section, there shall have been filed with the Trustee an Opinion of 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 Agency in accordance with its terms.

SECTION 11.03 Supplemental Indentures With Bondholders' Consent. (a) Subject to the terms and provisions contained in this Article XI and Article XII hereof, the Holders of greater than 50% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the entering into by the Agency and the Trustee of any Supplemental Indenture with respect to the Bonds as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. Nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Sinking Fund Installments for, redemption premium, if any, Purchase Price, or interest on any Outstanding Bond, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bond, a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon (except upon conversion), any extension of the time of payment thereof, a change in the mechanics for any interest rate determination method applicable to any Bond, or a change in the terms of the purchase, in any case without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of revenues or rental income from or in connection with the Facility and payable by the Lessee under the IDA Lease Agreement other than the lien or pledge created by the Indenture, the Equipment Security Agreement, and the Leasehold Mortgage, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this Section 11.03(a), without, in the case of items (i) through and including (v) of this Section 11.03(a), the written consent of one hundred per centum (100%) of the Holders of the Outstanding Bonds (provided that a change affecting less than all of Outstanding Bonds shall require the approval only of the Holders of the Outstanding Bonds so affected). For the purposes of this Section, Bonds shall be deemed to be affected by a modification or amendment hereof if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, such Bonds would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Agency and all Holders of such Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether such Bonds would be so affected by any such modification or amendment hereof.

(b) If at any time the Agency shall determine to enter into any Supplemental Indenture for any of the purposes of this Section relating to any Bonds, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders. Such notice shall be prepared by the Lessee and 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. Any change affecting less than all Bonds shall require notice to only to the Holders of the Bonds so affected.

(c) Subject to the terms and provisions contained in this Section and Article XII hereof, within one year after the date of such notice, the Agency and the Trustee may enter into such Supplemental Indentures in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of Holders of not less than a majority of or 100% of, as the case may be, the aggregate principal amount of the Bonds then Outstanding (provided that a change affecting less than all of the Outstanding Bonds shall require approval only of the Holders of Outstanding Bonds so affected) and (ii) an Opinion of 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 Agency in accordance with its terms. 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. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consent has been given by the Holders of such Bonds described in such certificate or certificates. 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.

(d) Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, the Indenture shall be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the Indenture of the Agency, the Trustee and all Holders of the affected Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

SECTION 11.04 Supplemental Indenture Part of the Indenture. Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of the Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provisions authorized to be contained therein shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The Trustee shall execute any Supplemental Indenture entered into in accordance with the provisions of Section 11.02 or 11.03 hereof which does not adversely affect it and which is not contrary to law.

SECTION 11.05 Consent of Facility Provider. For purposes of consent of the holders of the Bonds pursuant to this Article XI of the Indenture, while a Credit Facility is in effect with respect to such Bonds, for so long as such Credit Facility is outstanding and the

Credit Facility Provider is honoring drawings or payments thereunder, the Credit Provider shall be deemed the holder of the Outstanding Bonds secured by such Credit Facility.

SECTION 11.06 Rights of Lessee. Anything herein to the contrary notwithstanding, any Supplemental Indenture under Article XI hereof shall not become effective unless and until the Lessee shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the Lessee.

## ARTICLE XII
## AMENDMENTS OF RELATED SECURITY DOCUMENTS

SECTION 12.01 Amendments of Security Documents Not Requiring Consent of Bondholders. The Agency and the Trustee may consent, without the consent of or notice to the Bondholders, to any amendment, change or modification of any of the Security Documents (i) for the purpose of curing any ambiguity or formal defect or omission therein, (ii) which, in the judgment of the Trustee, based upon an opinion of Bond Counsel, is not materially to the prejudice of the Trustee, the Agency or the Holders of the Bonds, (iii) which, in the opinion of Bond Counsel delivered to the Agency, shall be necessary to assure the exclusion of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes, or (iv) which, in the Opinion of Counsel, shall be necessary to conform the provisions of such Security Documents to the City-American Lease and/or the provisions of a leasehold mortgage of the Lessee's leasehold interest under the City-American Lease. 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 12.02 Amendments of Security Documents Requiring Consent of Bondholders. Except as provided in Section 12.02, the Agency and the Trustee shall not consent to any amendment, change or modification of any of the Security Documents affecting any Bonds hereunder, without mailing of notice and the written approval or consent of the Holders of greater than 50% in aggregate principal amount of the Bonds at the time Outstanding given and procured as set forth in Section 11.03 hereof; provided, however, there shall be no amendment, change or modification to (i) the obligation of the Lessee to make lease rental payments with respect to any Bonds under the IDA Lease Agreement, or (ii) the Lessee's or AMR's obligations under the Guaranty, without the prior written approval of the Holders of 100% in aggregate principal amount of all Bonds at the time Outstanding given and procured as in Section 11.03 hereof provided. If at any time an obligor under a Security Document 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 to be mailed in the same manner as is provided in Section 11.03(b) hereof with respect to Supplemental Indentures. Such notice shall be prepared by the Agency or the Lessee and 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 corporate trust office of the Trustee for inspection by all Bondholders. For the purposes of this Section, Bonds shall be deemed to be affected by a modification or amendment to a Security Document if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds would be affected by any

modification or amendment to a Security Document and any such determination shall be binding and conclusive on the Agency and all Holders of the Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds would be so affected by any such modification or amendment to a Security Document.

SECTION 12.03 Consent of Facility Provider. Any modification or amendment to a Security Document which would expressly affect the rights of a Credit Facility Provider shall not become effective until the written consent of such Credit Facility Provider has been obtained. Notice of the adoption of such modification to a Security Document and of the effectiveness of the modification or amendment made thereby shall be given to each Applicable Credit Facility Provider at the times and in the manner provided herein with respect to notices thereof required to be given to the Bonds of such Series. For purposes of consent of the holders of the Bonds pursuant to this Article XII of the Indenture, while a Credit Facility is in effect, for so long as such Credit Facility is outstanding and the Credit Facility Provider is honoring drawings or payments thereunder, the Credit Provider shall be deemed the holder of the Bonds secured by such Credit Facility.

## ARTICLE XIII
## MISCELLANEOUS

SECTION 13.01 Evidence of Signature of Bondholders and Ownership of Bonds.

(a) Any request, consent, revocation of consent, approval, objection or other instrument which the Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by any Bondholder in person or by his duly authorized attorney appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(c) Except as otherwise provided in Section 11.03 hereof with respect to revocation of a consent, any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee or any Paying Agent in accordance therewith.

SECTION 13.02 Money Held for Particular Bonds. (a) The amounts held by the Trustee for the payment of the principal, purchase price or Redemption Price, if any, of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payments, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto. The Trustee shall use its best efforts to cause such amounts so held to be invested only in Government Obligations maturing within thirty (30) days.

(b) Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by earlier call for redemption or purchase, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or the Paying Agent after said date when such Bonds become due and payable, shall be paid, together with accumulated interest and other earnings, by the Trustee to the Agency for payment to the Lessee as rebate of rent (except regarding draws on an Applicable Credit Facility, which shall be returned to the Credit Facility Provider, if any upon its certification that it is owned amounts under the Credit Agreement), as the absolute property thereof and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto; provided, however, that before being required to make any such payments, the Trustee shall, at the expense of the Lessee, mail to the Owners of such Bonds a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than forty (40) nor more than ninety (90) days after the date of mailing of such notice, the balance of such moneys then unclaimed shall be paid to the Agency for payment to the Lessee in accordance herewith.

SECTION 13.03 Notices. Except as otherwise provided in the Indenture, any notice, demand, direction, certificate, Opinion of Counsel, request, instrument or other communication authorized or required by the Indenture to be given or filed shall be deemed to have been sufficiently given or filed for all purposes of the Indenture if and when delivered or sent by registered or certified mail, postage prepaid:

(a) To the Agency, to the New York City Industrial Development Agency, 110 William Street, New York, New York 10038, Attention: Chairperson, with a copy to the Executive Director.

(b) To the Trustee, the Bond Registrar or Paying Agent, or to The Bank of New York, Corporate Trust Administration, 101 Barclay Street, New York, New York 10286.

(c) To the Lessee, to American Airlines, Inc., P.O. Box 619616, MD 5566, DFW Airport, Texas 75261-9616, Attention: Treasurer, with a copy to American Airlines, Inc., P.O. Box 619616, MD 5675, DFW Airport, Texas 75261-9616, Attention: Corporate Secretary, and a copy to American Airlines, Inc., P.O. Box 619616, MD 5656, DFW Airport, Texas 75261-9616, Attention: Chief Tax Official.

(d) To the Guarantor, to AMR Corporation P.O. Box 619616, MD 5675, DFW Airport, Texas 75261-9616, Attention: Vice President Corporate Development and

Treasurer, with a copy to American Airlines, Inc., P.O. Box 619616, MD 5675, DFW Airport, Texas 75261-9616, Attention: Corporate Secretary.

(e) To the City, to The City of New York, City Hall, New York, New York 10007, Attention: Deputy Mayor for Economic Development and Rebuilding, with a copy to The City of New York Department of Business Services, 110 William Street, Third Floor, New York, New York 10038, Attention: Commissioner.

Any such party may, by like notice, designate any further or different addresses to which subsequent notices, demands, directions, certificates, Opinions of Counsel, requests, instruments or other communications hereunder shall be sent. Any notice, demand, direction, certificate, Opinion of Counsel, request, instrument or other communication hereunder shall, except as may expressly be provided herein, be deemed to have been delivered or given as of the date it shall have been mailed.

SECTION 13.04 Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Agency, the Lessee, the Trustee, the Paying Agents and the Holders of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Lessee, the Trustee, the Paying Agents and the Holders of the Bonds.

SECTION 13.05 Partial Invalidity. In case any one or more of the provisions of the Indenture or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture or of the Bonds, but the Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 13.06 Counterparts. The Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.07 Laws Governing Indenture. THE EFFECT AND MEANING OF THE INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 13.08 No Pecuniary Liability of Agency or Members. No provision, covenant or agreement contained in the Indenture or in the Bonds or any obligations herein or therein imposed upon the Agency, or the breach thereof (except for a breach caused by the gross negligence or willful misconduct of the Agency), shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in the Indenture, the Agency has not obligated itself except

with respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal, Purchase Price, or Redemption Price, if any, of Sinking Fund Installments for, or interest on, the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

SECTION 13.09 Payments Due on Saturdays, Sundays and Holidays. In any case where any payment date of principal, Sinking Fund Installment and/or interest on the Bonds, or the date fixed for redemption of any Bonds, shall be a day other than a Business Day, then payment of such principal, Sinking Fund Installment and/or interest or the Redemption Price, if applicable, need not be made on such date but may be made on the next succeeding Business Day and no additional interest shall accrue.

SECTION 13.10 Appendix Incorporated Herein. Appendix A and Appendix B attached hereto shall be deemed incorporated in the Indenture as if fully set forth herein.

SECTION 13.11 Opinions. A copy of each Opinion of Counsel or Favorable Opinion of Bond Counsel delivered to Trustee hereunder or under any Series Supplemental Indenture shall also be delivered to the Port Authority.

SECTION 13.12 Date for Reference Purposes Only. The date of the Indenture shall be for reference purposes only and shall not be construed to imply that the Indenture was executed on the date first above written. This Indenture was executed and delivered on July 31, 2002.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this Master Indenture of Trust to be executed in its name and behalf by its General Counsel, Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and, to evidence its acceptance of the trust hereby created, The Bank of New York has caused this Master Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By_____
Carolyn A. Edwards
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By_____
Beverly Gardner
Assistant Treasurer

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 20 02

# APPENDIX A

## DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean 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 accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean 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.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

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

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (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 Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean 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 authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, 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 the Lessee 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 Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond 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) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean $18,600,000.

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, 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.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

*provided, however*, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens 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 Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease 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 normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(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, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease 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 liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, 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.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean 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 Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

**[Form of Requisition from the Construction Account of the Project Fund]**

REQUISITION NO.

TO: The Bank of New York,
as Trustee

FROM: American Airlines, Inc.

Ladies and Gentlemen:

You are requested to draw on [specify Construction Account(s)] of the Project Fund, established pursuant to Section 5.01 of the Master Indenture of Trust dated as of July 1, 2002 (the "Master Indenture") between the New York City Industrial Development Agency (the "Agency") and yourself, a check or wire transfer, as specified, in the amounts, payable to the order of American Airlines, Inc. for the purpose of reimbursing American Airlines, Inc. for those costs incurred as agent set forth on Schedule A attached hereto. All capitalized terms used in this Requisition not otherwise defined herein shall have the meanings given such terms by Schedule A to the Master Indenture.

I hereby certify, to the best of my knowledge after due investigation and inquiry that:

(i) I am an Authorized Representative of the Lessee;

(ii) the number of this Requisition is _____;

(iii) the items of cost set forth on Schedule A attached hereto are correct and proper under Section 5.02(b) of the Indenture and each such item has been properly paid or incurred as an item of Project Costs;

(iv) none of the items for which this Requisition is made has formed the basis for any disbursement heretofore made from the Project Fund;

(v) no item of cost set forth on Schedule A attached hereto was incurred or paid prior to October 10, 1999, except for certain "preliminary expenditures" for architectural, engineering, surveying, soil testing and similar costs incurred prior to commencement of construction of the Facility;

(vi) the payees and amounts stated in Schedule A attached hereto are true and correct and each item of cost so stated is due and owing;

(vii) each such item stated in Schedule A attached hereto is a proper charge against the Project Fund;

(viii) no Event of Default exists and is continuing under the IDA Lease Agreement or any other Security Documents nor any condition, event or act which, with notice or lapse of time or both, would constitute such an Event of Default;

(ix) I have no knowledge of any vendor's lien, materialmen's lien, mechanic's lien or security interest which should be satisfied or discharged before the payment herein requested is made or which will not be discharged by such payment;

(x) each item of cost set forth in Schedule A attached hereto is consistent in all material respects with the Applicable Tax Certificate; and (1) (A) the amounts to be paid will not be used for any Project Cost which is not Qualified Cost (other than Costs of Issuance), or (B) of the total amount of the Net Proceeds of the Bonds theretofore applied and then being requisitioned, no less than ninety-five percent (95%) has been or will be expended for Qualified Costs and no more than five percent (5%) has been or will be expended for Nonqualified Costs; (2) the Project Cost was incurred on the Leased Facilities, and (3) the Project Cost has not otherwise been reimbursed, funded or paid.

(xi) if the payment herein requested is a reimbursement to the Lessee for costs or expenses of the Lessee incurred by reason of work performed or supervised by officers, partners or employees of the Lessee or any Affiliate, such officers, partners or employees were specifically employed for such purpose and the amount to be paid does not exceed the actual cost thereof to the Lessee and such costs or expenses will be treated by the Lessee on its books as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis;

(xii) if the payment herein requested is for an item of Facility Equipment, upon payment of the cost thereof The City of New York will be the owner thereof and such Facility Equipment will be subject to the IDA Lease Agreement;

(xiii) such item of cost for which payment is herein requested is chargeable to the capital account of the Project for Federal income tax purposes, or would be so chargeable either with an election by the Lessee or but for the election of the Lessee to deduct the amount of such item.

Attached to this Requisition is a copy of the bills or invoices evidencing and supporting this Requisition.

Dated:_____

AMERICAN AIRLINES, INC.

By: _____
Name: _____
Title: _____

SCHEDULE A TO REQUISITION NO. _____

| Project Cost | Category Payee | Amount |
| --- | --- | --- |

EXECUTION COPY

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

# FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST

Dated as of July 1, 2002

$120,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 2002A
(American Airlines, Inc. John F. Kennedy International Airport Project)

TABLE OF CONTENTS


| | | Page |
|---|---|---|
| **ARTICLE I.** | DEFINITIONS | 14 |
| SECTION 1.01. | Definitions | 14 |
| SECTION 1.02. | Construction | 14 |
| **ARTICLE II.** | AUTHORIZATION AND ISSUANCE OF SERIES 2002A BONDS | 14 |
| SECTION 2.01. | Authorization of Series 2002A Bonds, Principal Amount, Designation and Series | 14 |
| SECTION 2.02. | Purposes | 15 |
| SECTION 2.03. | The Series 2002A Bonds | 15 |
| SECTION 2.04. | Redemption Provisions | 16 |
| SECTION 2.05. | Execution of Series 2002A Bonds | 19 |
| SECTION 2.06. | Authentication | 19 |
| SECTION 2.07. | Book Entry Bonds; Depository for the Series 2002A Bonds | 20 |
| SECTION 2.08. | Tax-Exempt Bonds | 20 |
| **ARTICLE III.** | ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST | 20 |
| SECTION 3.01. | Establishment of Accounts | 20 |
| SECTION 3.02. | Application of Series 2002A Bond Proceeds | 20 |
| **ARTICLE IV.** | MISCELLANEOUS | 21 |
| SECTION 4.01. | Partial Invalidity | 21 |
| SECTION 4.02. | Counterparts | 21 |
| SECTION 4.03. | Laws Governing First Series Supplemental Indenture | 21 |
| SECTION 4.04. | No Pecuniary Liability of Agency Members | 21 |
| SECTION 4.05. | Indenture to Remain In Effect | 21 |
| SECTION 4.06. | Date for Reference Purposes Only | 22 |

FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST

THIS FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof (this "First Series Supplemental Indenture"), by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a New York banking corporation, authorized to accept and execute trusts of the character herein set out, as Trustee under this First Series Supplemental Indenture (the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the Agency and the Trustee have entered into a Master Indenture of Trust, dated as of July 1, 2002 (the "Master Indenture"); and

WHEREAS, the Master Indenture provides that the Agency may authorize the issuance of a Series of Bonds pursuant to a Series Supplemental Indenture entered into in accordance with the Master Indenture; and

WHEREAS, the Lessee has requested the Agency to issue its Bonds under the Master Indenture to finance a portion of the costs of the Project; and

WHEREAS, the Agency has authorized the issuance of its Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2002A Bonds") in the aggregate principal amount of $120,000,000 pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and a bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001, the Master Indenture and this First Series Supplemental Indenture to provide funds for a portion of the costs of the Project, including incidental and related costs, to pay the costs and expenses of the issuance of the Series 2002A Bonds and to fund a debt service reserve fund; and

WHEREAS, the Series 2002A Bonds and the Trustee's Certificate to be endorsed thereon are all to be in substantially the following form, with necessary and appropriate variations, omissions, substitutions and insertions as permitted or required by this First Series Supplemental Indenture, to wit:

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

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

No. R-Number~ $Dollar~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Redemption of Series 2002A Bonds*

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

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

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

(3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

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

*Mandatory Redemption on Termination of the Company Sublease.* In the event that the Company Sublease shall have terminated, the Series 2002A Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium.

*Mandatory Redemption Upon the Release of a Portion of the Leased Facilities.* In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002A Bonds together with all other Bonds shall be subject to mandatory redemption on a pro rata basis in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002A Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002A Bond so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002A Bonds to be redeemed shall be determined by the Lessee.

*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage.* The Series 2002A Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

*Mandatory Redemption Upon the Occurrence of a Determination of Taxability.* The Series 2002A Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002A Bonds or

the Lessee of a Determination of Taxability. All of the Series 2002A Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002A Bonds would have the result that interest payable on the remaining Series 2002A Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002A Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002A Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002A Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002A Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002A Bonds, the affected Series 2002A Bonds will not be subject to redemption in the manner described above, except for any redemption provided for in connection with such defeasance.

*Partial Redemption*. Except as otherwise required by the Indenture, if less than all the Series 2002A Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002A Bonds to be redeemed shall be selected in accordance with the Indenture.

*Notice of Redemption.* Notice of optional or mandatory redemption of the Series 2002A Bonds or any principal portion thereof, shall be given as provided in the Indenture and the First Series Supplemental Indenture.

*Exchange of Bonds.* The owner of this Series 2002A Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002A Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002A Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

*Transfer of Bonds.* This Series 2002A Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 2002A Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

*Limitation on Bondholder Enforcement Rights*. The registered owner of this Series 2002A Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

*Amendments*. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002A Bond, exist, have happened and have been performed, and that the issuance of this Series 2002A Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002A Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002A Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002A Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002A Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs all as of July 1, 2002.

NEW YORK CITY
INDUSTRIAL DEVELOPMENT
AGENCY

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002A Bonds described in the within mentioned First Series Supplemental Indenture.

The Bank of New York, as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

THIS FIRST SERIES SUPPLEMENTAL INDENTURE OF TRUST FURTHER WITNESSETH that this First Series Supplemental Indenture of Trust is supplemental to, and is entered into in accordance with the Indenture, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners, from time to time of the Series 2002A Bonds or any part thereof, as follows, that is to say:

## ARTICLE I.

## DEFINITIONS

SECTION 1.01. Definitions. Terms not otherwise defined herein shall have the same meanings as (i) used in Appendix A hereto and made a part hereof or (ii) set forth in Appendix A to the Master Indenture.

SECTION 1.02. Construction. In this First Series Supplemental Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this First Series Supplemental Indenture, refer to the entire First Series Supplemental Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this First Series Supplemental Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this First Series Supplemental Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this First Series Supplemental Indenture, nor shall they affect its meaning, construction or effect.

## ARTICLE II.

## AUTHORIZATION AND ISSUANCE OF SERIES 2002A BONDS

SECTION 2.01. Authorization of Series 2002A Bonds, Principal Amount, Designation and Series. A Series of Bonds entitled to the benefit, protection and security of the Indenture is hereby authorized to be issued in an aggregate principal amount not to exceed $120,000,000. Such Series shall be designated as and shall be distinguished from the Bonds of all other Series by the title "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project)" pursuant to and subject to the terms, conditions and limitations established in the Indenture.

SECTION 2.02. Purposes. The purposes for which the Series 2002A Bonds are being issued are to make a deposit to the Series 2002A Construction Account of the Project Fund, to pay a portion of the Project Costs, including certain Costs of Issuance relating to the Series 2002A Bonds, and to make a deposit to the Series 2002A Debt Service Reserve Account in an amount equal to the Series 2002A Debt Service Reserve Account Requirement.

SECTION 2.03. The Series 2002A Bonds. (a) The Series 2002A Bonds initially shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002A Bonds and the Series 2002A Bonds shall be registered to Cede & Co., as nominee of the Depository. While the Series 2002A Bonds are Book-Entry Bonds, the Series 2002A Bonds shall not be registered as transferred or exchanged except as provided in Section 3.12 of the Indenture. The owners of beneficial interests in the Series 2002A Bonds shall not have any right to receive Series 2002A Bonds in the form of physical certificates so long as the book entry system is in effect with respect to the Series 2002A Bonds.

The Series 2002A Bonds shall mature, subject to prior redemption upon the terms and conditions hereinafter set forth, on August 1, 2012.

(b) Each Series 2002A Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date to which interest on the Series 2002A Bonds has been paid in full or duly provided for or the date of initial authentication of the Series 2002A Bonds, from such date of authentication; *provided, however,* that if, as shown by the records of the Bond Registrar, interest on the Series 2002A Bonds shall be in default, Series 2002A Bonds issued in exchange for Series 2002A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002A Bonds or, if no interest has been paid on the Series 2002A Bonds, from the date of the first authentication of Series 2002A Bonds hereunder. Interest on the Series 2002A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 2002A Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 2002A Bonds shall have been paid in full. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Subject to Section 3.12 of the Indenture relating to Bonds held in the book entry system, the principal of the Series 2002A Bonds (including Redemption Price, if any) shall be payable in such lawful money of the United States of America as, at the respective time of payment, shall be legal tender for the payment of public and private debts, to the holders of the Series 2002A Bonds upon presentation and surrender of such Series 2002A Bonds at the principal corporate trust office of the Paying Agent. Interest on all Series 2002A Bonds shall be payable on each Interest Payment Date by the Paying Agent by check mailed on the date on which such interest is due to the holders of the Series 2002A Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of any holder of Series 2002A Bonds in an aggregate principal amount in excess of $500,000 as shown

on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, wire transfer instructions to the Paying Agent, interest payable on such Series 2002A Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond. Notwithstanding any other provision of the Series 2002A Bonds to the contrary, so long as the Series 2002A Bonds shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for the Series 2002A Bonds, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal and Redemption Price, if any, of and interest on the Series 2002A Bonds.

If and to the extent, however, that the Agency fails to make payment or provision for payment of interest on any Series 2002A Bond on any Interest Payment Date, interest shall continue to accrue thereon but shall cease to be payable to the holder of that Series 2002A Bond as of the applicable Record Date. When moneys become available for payment of the interest, (a) the Trustee shall, pursuant to Section 8.03 of the Indenture, establish a Special Record Date for the payment of that interest which Special Record Date shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (b) the Bond Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each holder not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable as provided herein to the holders of the Series 2002A Bonds as of the Special Record Date at the close of business on the Special Record Date. The form of such notice shall be provided to the Bond Registrar by the Lessee, or in the event the Lessee fails to provide such notice, by the Trustee.

The person in whose name any Series 2002A Bond is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date.

(c) The first Interest Rate Period shall commence on the date of issuance of the Series 2002A Bonds and shall be a Long-Term Interest Rate Period. Upon the date of issuance of the Series 2002A Bonds, the Long-Term Interest Rate borne by the Series 2002A Bonds shall be 8.00% per annum for a term ending July 31, 2012.

The Series 2002A Bonds, the certificate of authentication to be endorsed thereon and the form of assignment to be included therein shall be substantially in the forms described in the recitals hereto with such appropriate variations, omissions, substitutions and insertions as are permitted or required by this First Series Supplemental Indenture. The Series 2002A Bonds shall be numbered consecutively from R-1 upwards in order of issuance according to the records of the Bond Registrar.

SECTION 2.04. Redemption Provisions. The Series 2002A Bonds shall be subject to redemption prior to maturity as follows:

(a) Optional Redemption

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

(ii) Extraordinary Optional Redemption Without Premium. The Series 2002A Bonds are further subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

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

(c) Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002A Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium.

(d) Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002A Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The Redemption Price of any Series 2002A Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002A Bonds to be redeemed shall be determined by the Lessee.

(e) Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002A Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

(f) Mandatory Redemption Upon the Occurrence of a Determination of Taxability. The Series 2002A Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002A Bonds or the Lessee of a Determination of Taxability. Payment of such Redemption Price with respect to the Series 2002A 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 2002A Bonds shall be redeemed upon a Determination of Taxability as described above, unless, if in the opinion of Bond Counsel, redemption of a portion of the Series 2002A Bonds would have the result that interest payable on the remaining Series 2002A Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002A Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

(g) Redemption of Series 2002A Bonds permitted or required by this Section 2.04 shall be made as follows, and the Trustee shall give the notice of redemption referred to and in accordance with Section 6.03 of the Indenture in respect of each such redemption.

(1) Redemption shall be made pursuant to the optional redemption provisions of Section 2.04(a) hereof at such times as are permitted thereunder and in such principal amounts as the Lessee shall request in a written notice to the Agency and Trustee; and

(2) Redemption shall be made pursuant to the optional redemption provision of Section 2.04(b) and the mandatory redemption provisions of Sections 2.04(c), (d), (e) and (f) hereof, without the necessity of any instructions or further act of the Agency (other than the determination by the Agency described in Section 2.04(b) hereof) or the Lessee.

(h) Under no circumstances shall the Trustee be required to use any of its own funds to effect any redemption of Series 2002A Bonds.

(i) If all Series 2002A Bonds are redeemed as provided in any of the preceding paragraphs (a) through (f), then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002A Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(j) If the lien of the Indenture has been defeased with respect to the Series 2002A Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002A Bonds, the Series 2002A Bonds will not be subject to redemption in the manner described above, except for any redemption provided for in connection with such defeasance.

SECTION 2.05. Execution of Series 2002A Bonds. The Series 2002A Bonds shall be executed on behalf of the Agency by the manual or facsimile signature of the Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director of the Agency, and the seal of the Agency shall be affixed thereto or imprinted thereon and attested by the manual or facsimile signature of the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of said Series 2002A Bonds. In case one or any of the officers who shall have signed or attested the Series 2002A Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series 2002A Bonds so signed and attested shall have been actually issued and delivered, the Series 2002A Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on the Series 2002A Bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002A Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 2.06. Authentication. Only such Series 2002A Bonds as shall have endorsed thereon a certificate of authentication, in substantially the form set forth in the Form of Bond in the recitals of this First Series Supplemental Indenture, duly executed by the Trustee, shall be entitled to any right or benefit under the Indenture. No Series 2002A Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Indenture unless

and until such certificate of authentication on such Series 2002A Bond shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Series 2002A Bond shall be conclusive evidence that such Series 2002A Bond has been duly authenticated and delivered under the Indenture. The Trustee's certificate of authentication on any Series 2002A Bond shall be deemed to have been duly executed if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Series 2002A Bonds.

SECTION 2.07. Book-Entry Bonds; Depository for the Series 2002A Bonds. The Series 2002A Bonds shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002A Bonds.

SECTION 2.08. Tax-Exempt Bonds. The Series 2002A Bonds shall be issued as Tax-Exempt Bonds.

## ARTICLE III.

## ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST

SECTION 3.01. Establishment of Accounts. The following Accounts shall be established and held within the following Funds and said Accounts shall maintained and applied by the Trustee in accordance with Article V of the Indenture:

(a) Within the Project Fund

(i) Series 2002A Construction Account

(b) Within the Bond Fund

(i) Series 2002A Principal Account

(ii) Series 2002A Interest Account

(iii) Series 2002A Redemption Account

(iv) Series 2002A Debt Service Reserve Account

SECTION 3.02. Application of Series 2002A Bond Proceeds. All moneys received by the Agency from the sale of the Series 2002A Bonds shall be simultaneously disbursed as follows:

(i) $800,000 shall be deposited into the Series 2002A Interest Account of the Bond Fund;

(ii) $102,043,440 shall be deposited into the Series 2002A Construction Account of the Project Fund.

(iii) $11,408,160 shall be deposited into the Series 2002A Debt Service Reserve Account of the Bond Fund.

## ARTICLE IV.

## MISCELLANEOUS

SECTION 4.01. Partial Invalidity. In case any one or more of the provisions of this First Series Supplemental Indenture or of the Series 2002A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture, the First Series Supplemental Indenture or of the Series 2002A Bonds, but the Indenture, the First Series Supplemental Indenture and the Series 2002A Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Series 2002A Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 4.02. Counterparts. This First Series Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 4.03. Laws Governing First Series Supplemental Indenture. THE EFFECT AND MEANING OF THIS FIRST SERIES SUPPLEMENTAL INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 4.04. No Pecuniary Liability of Agency Members. No provision, covenant or agreement contained in this First Series Supplemental Indenture or in the Series 2002A Bonds or any obligations herein or therein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this First Series Supplemental Indenture, the Agency has not obligated itself except with respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal and Redemption Price, if any, of and interest on the Series 2002A Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Series 2002A Bonds.

SECTION 4.05. Indenture to Remain In Effect. Save and except as supplemented by this First Series Supplemental Indenture, the Indenture shall remain in full force and effect.

SECTION 4.06. Date for Reference Purposes Only. The date of this First Series Supplemental Indenture shall be for reference purposes only and shall not be construed to imply that this First Series Supplemental Indenture was executed on the date first above written. This First Series Supplemental Indenture was executed and delivered on July 31, 2002.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this First Series Supplemental Indenture of Trust to be executed in its name and behalf by its Chairperson, General Counsel, Vice Chairperson or Executive Director or Deputy Executive Director and, to evidence its acceptance of the trust hereby created, The Bank of New York has caused this First Series Supplemental Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By: Beverly Gardner
Beverly Gardner
Assistant Treasurer

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ County
Commission Expires Dec. 29, 20 02

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Gary R. Basso
Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in Westchester County
Commission Expires Dec. 29, 2002

**Execution Copy**

# APPENDIX A

## FIRST SERIES SUPPLEMENTAL INDENTURE

## DEFINITIONS

First Series Supplemental Indenture shall mean the First Series Supplemental Indenture of Trust, dated as of July 1, 2002, between the Agency and the Trustee authorizing the issuance of the Series 2002A Bonds.

Interest Accrual Date shall mean July 1, 2002 and each February 1 and August 1 thereafter, commencing February 1, 2003.

Interest Payment Date shall mean each February 1 and August 1, or, if any such February 1 or August 1 shall not be a Business Day, the next succeeding Business Day without the accrual of additional interest, *provided* that notwithstanding anything herein to the contrary, the first Interest Payment Date for the Series 2002A Bonds shall be February 1, 2003.

Long-Term Interest Rate shall mean the term, non-variable interest rate on the Series 2002A Bonds established in accordance with Section 2.03(c) of the First Series Supplemental Indenture.

Long-Term Interest Rate Period shall mean the period during which the Long-Term Interest Rate is in effect.

Series 2002A Bonds shall mean the $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency issued, executed, authenticated and delivered under the Indenture.

Series 2002A Construction Account shall mean the Series 2002A Construction Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Debt Service Reserve Account shall mean the Series 2002A Debt Service Reserve Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Debt Service Reserve Account Requirement shall mean with respect to the Series 2002A Bonds an amount equal to the lesser of (i) the greatest amount required in the then current or any future bond year to pay the sum of interest on such Outstanding Series 2002A Bonds payable during such bond year, and the principal and sinking fund installments, if any, on such Outstanding Series 2002A Bonds payable on August 1 of such bond year, excluding interest accruing on such Series 2002A Bonds from the dated date of such Series 2002A Bonds to the date of delivery thereof, (ii) an amount equal to ten percent (10%) of the net proceeds of the sale

of such Series 2002A Bonds, and (iii) 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due over the term of the Series 2002A Bonds.

Series 2002A Interest Account shall mean the Series 2002A Interest Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Principal Account shall mean the Series 2002A Principal Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

Series 2002A Redemption Account shall mean the Series 2002A Redemption Account established pursuant to Section 3.01 of the First Series Supplemental Indenture.

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
New York, New York

$500,000,000
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

RECORD OF PROCEEDINGS

July 31, 2002

Winston & Strawn
200 Park Avenue
New York, New York 10166

VOLUME III

NY:696139.8

# INDEX OF CLOSING DOCUMENTS

**Document Number**

1. Basic Lease.
2. Port Authority Lease and First Supplemental Agreement to Port Authority Lease (certified by American Airlines, Inc.).
3. First Supplemental Agreement to Port Authority Lease.
4. Agreement Towards Entering into a Lease.
5. Recognition, Non-Disturbance and Attornment Agreement.
6. Consent to Subleases and Leasehold Mortgage Agreement.
7. Company Sublease Agreement.
8. IDA Lease Agreement.
9. Master Indenture of Trust.
10. First Series Supplemental Indenture of Trust.
11. Second Series Supplemental Indenture of Trust.
12. American Airlines, Inc. Guaranty.
13. AMR Corporation Guaranty.
14. Form of Leasehold Mortgage and Security Agreement.
15. Equipment Security Agreement.
16. Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986.

    Exhibit A
    Certificate Regarding Qualification as Exempt Facility Bonds.

    Exhibit B
    Issue Price Certificate.

    Exhibit C
    Form 8038.

## DOCUMENTS DELIVERED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency")

17. Copies of Chapter 1030 of the 1969 Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

18. Certificate as to establishment of the Agency and as to appointment of the members thereof.

19. General Certificate (as required by Section 9(d)(4) of the Bond Purchase Agreement).

    Exhibit A

    By-Laws of the Agency.

    Exhibit B

    Inducement and Authorizing Resolutions.

    Exhibit C

    Specimen Bonds.

    Exhibit D

    Notice and Minutes of Public Hearing.

20. Mayor's Approval of the Series 2002 Bonds.

21. Written Order to authenticate and deliver the Series 2002 Bonds.

22. Letter of Representation from the Agency (the "DTC Letter").

23. Letter from the Agency relating to the exemption of the Leasehold Mortgage from recording taxes, as required by Section 9(d)(23) of the Bond Purchase Agreement.

## DOCUMENTS DELIVERED BY AMERICAN AIRLINES, INC.

24. Certificate of Secretary of American Airlines, Inc.

    Exhibit A

    Restated Certificate of Incorporation certified by an authorized officer of American Airlines, Inc.

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of American Airlines, Inc. authorizing the financing

Exhibit E

Certificate re: Authority of American Airlines, Inc. to do business in New York

Exhibit F

Incumbency Certificate

25. Certificate of an authorized officer of American Airlines, Inc., as required by Section 9(d)(5) of the Bond Purchase Agreement.

26. Letter from Ernst & Young LLP, Auditor, as required by Section 9(d)(18) of the Bond Purchase Agreement.

27. Certificate as to insurance, as required by the IDA Lease Agreement and as required pursuant to the Agreement Towards Entering into a Lease, with certificates of insurance required by Section 4.4 of the IDA Lease Agreement.

**DOCUMENTS DELIVERED BY AMR CORPORATION**

28. Certificate of Secretary of AMR Corporation

Exhibit A

Composite Certificate of Incorporation, certified by an authorized officer of AMR Corporation

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of AMR Corporation authorizing the AMR Documents

Exhibit E

Incumbency Certificate

29. Certificate of an authorized officer of AMR Corporation, as required by Section 9(d)(6) of the Bond Purchase Agreement.

**DOCUMENTS DELIVERED BY THE BANK OF NEW YORK**

30. Letter of Acceptance.

31. Certificate as to receipt of documents, incumbency and authentication, delivery, payment, receipt and application of Bond proceeds, as required by Section 9(d)(7) of the Bond Purchase Agreement.

**DOCUMENTS DELIVERED BY THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "Port Authority")**

32. Certificate of an authorized official of the Port Authority, as required by Section 9(d)(19) of the Bond Purchase Agreement

**UNDERWRITING DOCUMENTS**

33. Preliminary Official Statement.

34. Official Statement.

35. Blue Sky Memorandum.

36. Continuing Disclosure Undertaking.

37. Cross-Receipt.

38. Bond Purchase Agreement.

## OPINIONS

39. Approving Opinion of Winston & Strawn, as required by Section 9(d)(8) of the Bond Purchase Agreement, with reliance letter.

40. Supplemental Opinion of Winston & Strawn, as required by Section 9(d)(10) of the Bond Purchase Agreement.

41. Opinion of the Agency's Vice President for Legal Affairs, as required by Section 9(d)(9) of the Bond Purchase Agreement.

42. Opinions of Anne H. McNamara, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(a) of the Bond Purchase Agreement.

43. Opinion of Chapman and Cutler, Counsel to the Underwriter, as required by Section 9(d)(14) of the Bond Purchase Agreement.

44. Opinion of Emmet, Marvin & Martin, LLP, Counsel to the Trustee, as required by Section 9(d)(15) of the Bond Purchase Agreement.

45. Opinion of Debevoise & Plimpton, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(b) of the Bond Purchase Agreement.

## MISCELLANEOUS

46. UCC-1 Financing Statements.

47. Sales Tax Letter.

48. Consent of Simat, Helliesen & Eichner, as required by Section 9(d)(20) of the Bond Purchase Agreement.

49. Copy of Agency leasehold title insurance policy as required by Section 2.6 of the IDA Lease Agreement.

50. Confirmation of Bond Rating of B1 by Moody's Investors Services, Inc. and of BB- by Standard & Poor's Corporation, as required by Section 9(b)(12) of the Bond Purchase Agreement.

51. Second Amended and Restated Preliminary Sales Tax Letter.

52. Amendment No. 2 to Preliminary Project Agreement.

53. Requisitions 2002 -1, 2 & 3

**Execution Copy**

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY

TO

THE BANK OF NEW YORK,
as Trustee

# SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST

Dated as of July 1, 2002

$380,000,000
New York City Industrial Development Agency
Special Facility Revenue Bonds, Series 2002B
(American Airlines, Inc. John F. Kennedy International Airport Project)

TABLE OF CONTENTS


Page

**ARTICLE I.** DEFINITIONS ..... 18

SECTION 1.01. Definitions ..... 18

SECTION 1.02. Construction ..... 18

**ARTICLE II.** AUTHORIZATION AND ISSUANCE OF SERIES 2002B BONDS ..... 18

SECTION 2.01. Authorization of Series 2002B Bonds, Principal Amount, Designation and Series ..... 18

SECTION 2.02. Purposes ..... 19

SECTION 2.03. The Series 2002B Bonds ..... 19

SECTION 2.04. Interest Rate Determination Methods ..... 21

SECTION 2.05. Purchase of Series 2002B Bonds ..... 31

SECTION 2.06. Redemption Provisions ..... 35

SECTION 2.07. Execution of Series 2002B Bonds ..... 40

SECTION 2.08. Authentication ..... 40

SECTION 2.09. Book-Entry Bonds; Depository for the Series 2002B Bonds ..... 41

**ARTICLE III.** CREDIT FACILITIES ..... 41

SECTION 3.01. Credit Facility for Series 2002B Bonds ..... 41

SECTION 3.02. Alternate Credit Facility for Series 2002B Bonds ..... 43

SECTION 3.03. Rights and Duties under Credit Facilities Relating to Series 2002B Bonds 43

SECTION 3.04. Notice of Termination or Other Change in Credit Facility for Series 2002B Bonds ..... 44

SECTION 3.05. Notice by Trustee to Reduce Credit Facility ..... 44

SECTION 3.06. Certificate of Assumption ..... 44

**ARTICLE IV.** ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST ..... 44

SECTION 4.01. Establishment of Accounts ..... 44

SECTION 4.02. Application of Series 2002B Bond Proceeds ..... 45

**ARTICLE V.** REMARKETING AGENT; TENDER AGENT; PURCHASE AND REMARKETING OF SERIES 2002B BONDS ..... 45

SECTION 5.01. Remarketing Agent and Tender Agent for Series 2002B Bonds ..... 45

SECTION 5.02. Qualifications of Remarketing Agent and Tender Agent; Resignation; Removal ..... 47

SECTION 5.03. Notice of Series 2002B Bonds Delivered for Purchase; Purchase of Series 2002B Bonds ..... 47

SECTION 5.04. Remarketing of Series 2002B Bonds; Notice of Interest Rates .....49
SECTION 5.05. Delivery of Series 2002B Bonds .....50
SECTION 5.06. Delivery of Proceeds of Sale .....50
SECTION 5.07. Draws on Credit Facility to Pay Purchase Price of Series 2002B Bonds....51

**ARTICLE VI.** MISCELLANEOUS .....51
SECTION 6.01. Partial Invalidity .....51
SECTION 6.02. Counterparts .....51
SECTION 6.03. Laws Governing Second Series Supplemental Indenture .....51
SECTION 6.04. No Pecuniary Liability of Agency Members .....51
SECTION 6.05. Indenture to Remain In Effect .....52
SECTION 6.06. Date for Reference Purposes Only .....52

SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST

THIS SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST, dated as of the date set forth on the cover page hereof (this "Second Series Supplemental Indenture"), by and between the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, New York, New York, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State of New York (the "Agency"), having its principal office at 110 William Street, New York, New York 10038, party of the first part, and THE BANK OF NEW YORK, a New York banking corporation, authorized to accept and execute trusts of the character herein set out, as Trustee under this Second Series Supplemental Indenture (the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, party of the second part (all capitalized terms used herein but not otherwise defined shall have the same meaning as defined in Appendix A hereto).

WITNESSETH:

WHEREAS, the Agency and the Trustee have entered into a Master Indenture of Trust, dated as of July 1, 2002 (the "Master Indenture"); and

WHEREAS, the Master Indenture provides that the Agency may authorize the issuance of a Series of Bonds pursuant to a Series Supplemental Indenture entered into in accordance with the Master Indenture; and

WHEREAS, the Lessee has requested the Agency to issue its Bonds under the Master Indenture to finance a portion of the costs of the Project; and

WHEREAS, the Agency has authorized the issuance of its Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2002B Bonds") in the aggregate principal amount of $380,000,000 pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and a bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001, the Master Indenture and this Second Series Supplemental Indenture to provide funds for a portion of the costs of the Project, including incidental and related costs, to pay the costs and expenses of the issuance of the Series 2002B Bonds and to fund a debt service reserve fund; and

WHEREAS, the Series 2002B Bonds and the Trustee's Certificate to be endorsed thereon are all to be in substantially the following form, with necessary and appropriate variations, omissions, substitutions and insertions as permitted or required by this Second Series Supplemental Indenture, to wit:

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

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

No. R-Number~ $Dollar~

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

[FOR USE WHEN SERIES 2002B BONDS ARE IN CERTIFICATED FORM]
FOR BOND INTEREST TERM RATE PERIOD ONLY

| INTEREST RATE (%) | FIRST DAY OF BOND INTEREST TERM AND INTEREST ACCRUAL DATE: | FIRST DAY OF NEXT BOND INTEREST TERM AND INTEREST PAYMENT DATE: | INTEREST DUE ON NEXT INTEREST PAYMENT DATE: | NUMBER OF DAYS IN BOND INTEREST TERM |
|---|---|---|---|---|

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: Amount ~ DOLLARS
CUSIP NUMBER:
MATURITY DATE: August 1, 2028

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of July 1, 2002 between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a Second Series Supplemental Indenture (the "Second Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of July 1, 2002, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as heretofore supplemented and as supplemented by the Second Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture." All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 2002B Bond and the issue of which it is a part shall bear interest initially at a Long-Term Interest Rate of 8.50% per annum for a Long-Term Interest Rate Period commencing on the date of issuance of such Series 2002B Bonds and ending July 31, 2028. The principal of and premium (if any) on this Series 2002B Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 2002B Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 2002B Bond shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 2002B Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 2002B Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 2002B Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal

amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 2002B Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 2002B Bond shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 2002B Bonds. Payment of the principal of, Redemption Price and Sinking Fund Installments, if any of and interest on this Series 2002B Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 2002B Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 2002B Bond to the contrary, so long as this Series 2002B Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on this Series 2002B Bond.

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

This Series 2002B Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 2002B Bonds") issued in the aggregate principal amount of $380,000,000. The Series 2002B Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001 authorizing the issuance of the Series 2002B Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of

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

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

any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

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

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City

of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

*Interest Rate Periods and Accrual of Interest on the Series 2002B Bonds.* The term of the Series 2002B Bonds will be divided into consecutive Interest Rate Periods during each of which the Series 2002B Bonds shall bear interest at a Daily Interest Rate (a *"Daily Interest Rate Period"*), a Weekly Interest Rate (a *"Weekly Interest Rate Period"*), a Long-Term Interest Rate (a *"Long-Term Interest Rate Period"*), or Bond Interest Term Rates for one or more consecutive Bond Interest Terms (a *"Bond Interest Term Rate Period"*). The initial Interest Rate Period for this Series 2002B Bond shall be a Long-Term Interest Rate Period ending July 31, 2028. The interest rate on the Series 2002B Bonds may be adjusted from time to time from one Interest Rate Period to another and thereafter again adjusted under the circumstances described and permitted in the Second Series Supplemental Indenture. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the Second Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 2002B Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Bonds, or if no interest has been paid on the Series 2002B Bonds, from the date of the first authentication of Series 2002B Bonds under the Indenture.

*Interest Payment Date.* During any Daily Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date (as defined in the Second Series Supplemental Indenture) for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. During any Weekly Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). During any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 2002B Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate

Period, on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed.

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

No holder of a Series 2002B Bond shall be paid interest for any period at a rate higher than the "Maximum Rate," which is defined in the Second Series Supplemental Indenture as the lesser of (i) 25% per annum, (ii) with respect to Series 2002B Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof or (iii) the maximum rate permitted by law.

*Tender and Purchase*

*Optional Tender for Purchase of Series 2002B Bonds During a Daily Interest Rate Period or Weekly Interest Rate Period.* The Series 2002B Bonds are subject to optional tender for purchase by the owner hereof during a Daily Interest Rate Period and a Weekly Interest Rate Period upon the terms and conditions set forth in the Second Series Supplemental Indenture.

*Mandatory Tender for Purchase of Series 2002B Bonds on the Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period.* The Series 2002B Bonds are subject to mandatory tender for purchase on the day next succeeding the last day of each Bond Interest Term for the Series 2002B Bonds, unless such day is the Maturity Date or the first day of a new Interest Rate Period.

*Mandatory Tender for Purchase on First Day of Each Interest Rate Period.* The Series 2002B Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period if one of the conditions precedent to the adjustment to a new Interest Rate Period has not been met as described in the Second Series Supplemental Indenture.

*Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of a Credit Facility.* The Series 2002B Bonds are subject to mandatory tender for purchase on the fifth calendar day preceding certain events relating to the termination, expiration, or replacement of a Credit Facility then in effect then securing the Series 2002B Bonds as described in the Second Series Supplemental Indenture.

*Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement.* While the Series 2002B Bonds bear interest at the Daily Interest Rate or Weekly Interest Rate, the Series 2002B Bonds are subject to mandatory tender for purchase on the fifth Business Day following receipt by the Trustee of notice from the Credit Facility Provider which

has issued a Credit Facility then securing the Series 2002B Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 2002B Bonds and directing the mandatory purchase of the Series 2002B Bonds, all as provided for, and subject to the terms and provisions of, the Second Series Supplemental Indenture.

*Mandatory Tender for Failure of the Credit Facility Provider to Reinstate Interest*. In the event any Credit Facility shall be in effect with respect to the Series 2002B Bonds, the Series 2002B Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility, the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated.

*Redemption of Series 2002B Bonds*

*Optional Redemption During the Daily Interest Rate Period and the Weekly Interest Rate Period.* During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2002B Bonds are subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

*Optional Redemption During a Bond Interest Term Rate Period*. On the day succeeding the last day of any Bond Interest Term with respect to any Series 2002B Bond, such Series 2002B Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

*Optional Redemption During Initial Long-Term Interest Rate Period*. The Series 2002B Bonds shall be subject to redemption in whole or in part prior to maturity on or after August 1, 2012 at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 2002B Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

| Redemption Periods | Redemption Prices |
|---|---|
| August 1, 2012 to July 31, 2013 | 101% |
| August 1, 2013 to July 31, 2014 | 100-1/2% |
| August 1, 2014 and thereafter | 100% |

*Optional Redemption During a Long-Term Interest Rate Period Other Than Initial Long-Term Interest Rate Period.* During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of a Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or such other periods as may be permitted in accordance with the Second Series Supplemental Indenture) the Series 2002B Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as percentages of principal amount) hereinafter indicated (or such other Redemption Prices as may be specified in accordance with the Second Series Supplemental Indenture), plus accrued interest, if any, to the redemption date:

| LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS) | REDEMPTION PRICES |
|---|---|
| greater than 15 | after 10 years at 102%, declining by 1% every year to 100% |
| less than or equal to 15 and greater than 10 | after 7 years at 102%, declining by 1% every year to 100% |
| less than or equal to 10 and greater than 7 | after 5 years at 102%, declining by 1% every year to 100% |
| less than or equal to 7 and greater than 4 | after 3 years at 101%, declining by 1% every year to 100% |
| less than or equal to 4 | after 2 years at 100% |

*Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002B Bonds.* The Series 2002B Bonds shall be subject to extraordinary optional redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a

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

*Extraordinary Optional Redemption Without Premium.* The Series 2002B Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

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

*Mandatory Redemption Without Premium on Termination of the Company Sublease.* In the event that the Company Sublease shall have terminated, the Series 2002B Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption

Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium.

*Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities*. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002B Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002B Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002B Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002B Bonds to be redeemed shall be determined by the Lessee.

*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage*. The Series 2002B Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

*Mandatory Sinking Fund Redemption*. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

| August 1 of the year | Principal Amount |
|---|---|
| 2015 | $15,140,000 |
| 2016 | $16,425,000 |
| 2017 | $17,825,000 |
| 2018 | $19,340,000 |
| 2019 | $20,980,000 |
| 2020 | $22,765,000 |
| 2021 | $24,700,000 |
| 2022 | $26,800,000 |
| 2023 | $29,080,000 |
| 2024 | $31,550,000 |
| 2025 | $34,230,000 |
| 2026 | $37,140,000 |

| | |
|---|---|
| 2027 | $40,300,000 |
| 2028* | $43,725,000 |

* Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability*. The Series 2002B Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002B Bonds or the Lessee of a Determination of Taxability. All of the Series 2002B Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002B Bonds would have the result that interest payable on the remaining Series 2002B Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002B Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

*Certain Consequences of Redemption and Defeasance*. If all of the Series 2002B Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002B Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002B Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002B Bonds, the affected Series 2002B Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

*Partial Redemption*. Except as otherwise required by the Indenture, if less than all the Series 2002B Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002B Bonds to be redeemed shall be selected in accordance with the Indenture. Notwithstanding anything in the Indenture to

the contrary, if there shall have occurred and be continuing an Event of Default with respect to the Series 2002B Bonds under the Indenture, there shall be no redemption of less than all of the Series 2002B Bonds Outstanding.

*Notice of Redemption or Tender.* Notice of optional or mandatory redemption of the Series 2002B Bonds or any principal portion thereof, or optional or mandatory tender of the Series 2002B Bonds, shall be given as provided in the Indenture and the Second Series Supplemental Indenture.

*Exchange of Bonds.* The owner of this Series 2002B Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002B Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

*Transfer of Bonds.* This Series 2002B Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

*Limitation on Bondholder Enforcement Rights.* The registered owner of this Series 2002B Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

*Amendments.* Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002B Bond, exist, have happened and have been performed, and that the issuance of this Series 2002B Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002B Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002B Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002B Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002B Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs all as of July 1, 2002.

NEW YORK CITY
INDUSTRIAL DEVELOPMENT
AGENCY

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002B Bonds described in the within mentioned Second Series Supplemental Indenture.

The Bank of New York, as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

THIS SECOND SERIES SUPPLEMENTAL INDENTURE OF TRUST FURTHER WITNESSETH that this Second Series Supplemental Indenture of Trust is supplemental to, and is entered into in accordance with the Indenture, and the Agency has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners, from time to time, of the Series 2002B Bonds or any part thereof, as follows, that is to say:

## ARTICLE I.

## DEFINITIONS

SECTION 1.01. Definitions. Terms not otherwise defined herein shall have the same meanings as (i) used in Appendix A hereto and made a part hereof or (ii) set forth in Appendix A to the Master Indenture.

SECTION 1.02. Construction. In this Second Series Supplemental Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Second Series Supplemental Indenture, refer to the entire Second Series Supplemental Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of the execution and delivery of this Second Series Supplemental Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Second Series Supplemental Indenture, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Second Series Supplemental Indenture, nor shall they affect its meaning, construction or effect.

## ARTICLE II.

## AUTHORIZATION AND ISSUANCE OF SERIES 2002B BONDS

SECTION 2.01. Authorization of Series 2002B Bonds, Principal Amount, Designation and Series. A Series of Bonds entitled to the benefit, protection and security of the Indenture is hereby authorized to be issued in an aggregate principal amount not to exceed $380,000,000. Such Series shall be designated as and shall be distinguished from the Bonds of all other Series by the title "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport

Project)" pursuant to and subject to the terms, conditions and limitations established in the Indenture.

SECTION 2.02. Purposes. The purposes for which the Series 2002B Bonds are being issued are to make a deposit to the Series 2002B Construction Account of the Project Fund to pay a portion of the Project Costs, including certain Costs of Issuance relating to the Series 2002B Bonds, and to make a deposit to the Series 2002B Debt Service Reserve Account in an amount equal to the Series 2002B Debt Service Reserve Account Requirement.

SECTION 2.03. The Series 2002B Bonds. (a) The Series 2002B Bonds initially shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002B Bonds and the Series 2002B Bonds shall be registered to Cede & Co., as nominee of the Depository. While the Series 2002B Bonds are Book-Entry Bonds, the Series 2002B Bonds shall not be registered as transferred or exchanged except as provided in Section 3.12 of the Indenture. The owners of beneficial interests in the Series 2002B Bonds shall not have any right to receive Series 2002B Bonds in the form of physical certificates so long as the book entry system is in effect with respect to the Series 2002B Bonds.

The Series 2002B Bonds shall mature, subject to prior redemption upon the terms and conditions hereinafter set forth, on August 1, 2028.

(b) Each Series 2002B Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date to which interest on the Series 2002B Bonds has been paid in full or duly provided for or the date of initial authentication of the Series 2002B Bonds, from such date of authentication; *provided, however,* that if, as shown by the records of the Bond Registrar, interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Bonds or, if no interest has been paid on the Series 2002B Bonds, from the date of the first authentication of Series 2002B Bonds hereunder. For any Daily Interest Rate Period, interest on the Series 2002B Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. For any Weekly Interest Rate Period, interest on the Series 2002B Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). For any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on the Series 2002B Bonds shall be payable on each Interest

Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 2002B Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 2002B Bonds shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed.

Subject to Section 3.12 of the Indenture relating to Bonds held in the book entry system, the principal of and redemption premium (if any) on, the Series 2002B Bonds (including Redemption Price and Sinking Fund Installments, if any) shall be payable in such lawful money of the United States of America as, at the respective time of payment, shall be legal tender for the payment of public and private debts, to the holders of the Series 2002B Bonds upon presentation and surrender of such Series 2002B Bonds at the principal corporate trust office of the Paying Agent. Interest on all Series 2002B Bonds shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 2002B Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 2002B Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 2002B Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, wire transfer instructions to the Paying Agent, interest payable on such Series 2002B Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 2002B Bonds shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 2002B Bonds. Payment of the Purchase Price of the Series 2002B Bonds shall be in lawful money of the United States of America made payable to the holder thereof upon presentation and surrender of the Series 2002B Bonds at the principal corporate trust office of the Tender Agent. Notwithstanding any other provision of the Series 2002B Bonds to the contrary, so long as the Series 2002B Bonds shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for the Series 2002B Bonds, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Redemption Price, if any, Purchase Price of and interest on the Series 2002B Bonds.

If and to the extent, however, that the Agency fails to make payment or provision for payment of interest on any Series 2002B Bond on any Interest Payment Date, interest shall continue to accrue thereon but shall cease to be payable to the holder of that Series 2002B Bond as of the applicable Record Date. When moneys become available for payment of the interest, (a) the Trustee shall, pursuant to Section 8.03 of the Indenture, establish a Special Record Date for the payment of that interest which Special Record Date shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (b) the Bond Registrar shall give notice by first-class mail of the proposed payment and of the Special Record Date to each holder

not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable as provided herein to the holders of the Series 2002B Bonds as of the Special Record Date at the close of business on the Special Record Date. The form of such notice shall be provided to the Bond Registrar by the Lessee, or in the event the Lessee fails to provide such notice, by the Trustee.

The person in whose name any Series 2002B Bond is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date.

(c) In the manner hereinafter provided, the term of the Series 2002B Bonds will be divided into consecutive Interest Rate Periods during each of which all of the Series 2002B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate; *provided, however,* that at any time, all Series 2002B Bonds shall bear interest in the same Interest Rate Period. No holder of a Series 2002B Bond shall be paid interest for any period at a rate higher than the Maximum Rate. The first Interest Rate Period shall commence on the date of issuance of the Series 2002B Bonds and shall be a Long-Term Interest Rate Period. Upon the date of issuance of the Series 2002B Bonds, the Long-Term Interest Rate borne by the Series 2002B Bonds shall be 8-1/2% per annum for a term ending July 31, 2028.

Series 2002B Bonds issued prior to the first Interest Payment Date thereon shall be dated July 1, 2002 and Series 2002B Bonds issued on or subsequent to the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the Series 2002B Bonds has been paid in full or duly provided for, in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Series 2002B Bonds surrendered. The Series 2002B Bonds, the certificate of authentication to be endorsed thereon and the form of assignment to be included therein shall be substantially in the forms described in the recitals hereto with such appropriate variations, omissions, substitutions and insertions as are permitted or required by this Second Series Supplemental Indenture. The Series 2002B Bonds shall be numbered consecutively from R-1 upwards in order of issuance according to the records of the Bond Registrar.

SECTION 2.04. Interest Rate Determination Methods. (a) (i) *Determination of Weekly Interest Rate.* During each Weekly Interest Rate Period, the Series 2002B Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 4:30 p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on (and including) the first day of such Weekly Interest Rate Period and

ending on (and including) the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on (and including) Wednesday and ending on (and including) the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on (and including) the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on (and including) the last day of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2002B Bonds, would enable the Remarketing Agent to sell the Series 2002B Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110% of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available, for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

(ii) *Adjustment to Weekly Interest Rate.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Credit Facility Provider and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear interest at a Weekly Interest Rate. Such direction of the Lessee shall specify (1) the effective date of such adjustment to a Weekly Interest Rate, which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (C) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; and (2) the date on which holders are required to deliver such Series 2002B Bonds to be purchased (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and by a form of notice to be mailed to the holders of the Series 2002B Bonds by the Bond Registrar as provided in Section 2.04(a)(iii). During each Weekly Interest Rate Period commencing on (and including) a date so specified and ending on (and including) the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Series 2002B Bonds shall be a Weekly Interest Rate.

(iii) *Notice of Adjustment to Weekly Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Weekly Interest Rate Period to the holders of the Series 2002B Bonds, not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Weekly Interest Rate Period. Such notice shall state (1) that the interest rate on the Series 2002B Bonds will be adjusted to a Weekly Interest Rate (unless a Favorable Opinion of Bond Counsel is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 2002B Bonds, if being adjusted from a Daily Interest Rate Period or a Bond Interest Term Period, shall continue to bear interest at the Daily Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of the period provided in Section 2.04(b)(ii)(C)), (2) the scheduled effective date of such Weekly Interest Rate Period, (3) that the Series 2002B Bonds are subject to mandatory tender for purchase on such scheduled effective date, setting forth the applicable Purchase Price and (4) if the Series 2002B Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g) of this Second Series Supplemental Indenture.

(b) (i) *Determination of Long-Term Interest Rate.* During a Long-Term Interest Rate Period, the Series 2002B Bonds shall bear interest at the Long-Term Interest Rate. The Long-Term Interest Rate for the Series 2002B Bonds shall be determined by the Remarketing Agent on a Business Day no later than 10:00 a.m., New York City time, on the effective date of such Long-Term Interest Rate Period with respect to the Series 2002B Bonds. The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate, if any, at which the Remarketing Agent would agree to purchase the Series 2002B Bonds on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof; provided however that with a Favorable Opinion of Bond Counsel, the Series 2002B Bonds being converted to a Long-Term Interest Rate Period that ends on the day prior to maturity of the Series 2002B Bonds may be sold at a discount. If the Remarketing Agent fails to establish a Long-Term Interest Rate for any Long-Term Interest Rate Period on or prior to the first day of such Long-Term Interest Rate Period, then the Series 2002B Bonds shall bear interest at a Weekly Interest Rate determined in accordance with Section 2.04(a)(i). In the event that the Lessee shall specify a Long-Term Interest Rate Period of one year or greater, then the Credit Facility (if any) shall be terminated as to the Series 2002B Bonds during such Long-Term Interest Rate Period.

(ii) *Adjustment to or Continuation of Long-Term Interest Rate.* (A) At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, if any, the Paying Agent, the Credit Facility Provider, if any, and the Remarketing Agent, if any, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear, or continue to bear, interest at a Long-Term Interest Rate. Such direction of the Lessee (1) shall specify the duration of the Long-Term Interest Rate Period during which the Series 2002B Bonds shall bear interest at a Long-Term Interest Rate; (2) shall specify the effective date of such Long-Term

Interest Rate Period, which date shall be (x) a Business Day not earlier than the 30th day following the third Business Day after receipt by the Bond Registrar of such direction, (y) in the case of an adjustment from a Long-Term Interest Rate Period to another Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (z) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; (3) shall specify the last day of such Long-Term Interest Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof); (4) shall specify a date on or prior to which holders are required to deliver such Series 2002B Bonds to be purchased (if other than such effective date); (5) if approved by a Favorable Opinion of Bond Counsel, may specify any redemption periods and prices that differ from those set forth in Section 2.06 (a)(iii); and (6) if such Long-Term Interest Rate Period is for a period of one year or more, and a Credit Facility is in effect prior to the commencement of such Long-Term Interest Rate Period, such direction shall direct the Trustee to terminate such Credit Facility then in effect after the effective date of such Long-Term Interest Rate Period then to be commenced.

(B) Such direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and by a form of the notice to be mailed by the Bond Registrar to the holders of the Series 2002B Bonds as provided in Section 2.04(b)(iii).

(C) If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Interest Rate Period, the Bond Registrar shall not have received notice of the Lessee's election that, during the next succeeding Interest Rate Period, the Series 2002B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate, or at Bond Interest Term Rates, the next succeeding Interest Rate Period shall be a Long-Term Interest Rate Period of 367 days, unless the immediately preceding Long-Term Interest Rate Period was a period not exceeding one year, in which case the next succeeding Interest Rate Period will be a Long-Term Interest Rate Period of the same length as such immediately preceding Long-Term Interest Rate Period, until such time as the interest rate on the Series 2002B Bonds shall be adjusted to a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as provided in Section 2.04 and the Series 2002B Bonds shall be subject to mandatory purchase as provided in Section 2.05(c) on the first day of such Long-Term Interest Rate Period.

(D) In the event that the Lessee shall deliver to the Bond Registrar, the Remarketing Agent, the Tender Agent, the Credit Facility Provider, if any, and the Trustee on or prior to the date that the interest rate for any Long-Term Interest Rate Period is determined a notice to the effect that the Lessee elects to rescind its election to have the Series 2002B Bonds bear interest at a Long-Term Interest Rate, then the interest rate on the Series 2002B Bonds shall not be adjusted to a Long-Term Interest Rate, and the Series 2002B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as in effect prior to such event, or if the Series 2002B Bonds were to be adjusted from a Long-Term Interest Rate, then the Series 2002B Bonds shall bear interest at Long-Term Interest Rate for the length of period

provided in Section 2.04(b)(ii)(C), with such period to commence on the date which would have been the effective date of such Long-Term Interest Rate Period, and the Series 2002B Bonds shall continue to be subject to mandatory purchase as provided in Section 2.05(c) on the day which would have been the effective date of such Long-Term Interest Rate Period.

(iii) *Notice of Adjustment to or Continuation of Long-Term Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a (or the establishment of another) Long-Term Interest Rate Period to the holders of the Series 2002B Bonds not less than 30 days prior to the effective date of such Long-Term Interest Rate Period. Such notice shall state: (1) that the interest rate on the Series 2002B Bonds shall be adjusted to, or continue to be, a Long-Term Interest Rate unless (x) a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent, such Favorable Opinion of Bond Counsel on the effective date of such adjustment, or (y) the Lessee shall elect, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause the adjustment of the interest rate on the Series 2002B Bonds to a Long-Term Interest Rate, in which case the Series 2002B Bonds, if being adjusted from a Daily Interest Rate Period, or a Weekly Interest Rate Period or a Bond Interest Term Rate Period, shall continue to bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), (2) the scheduled effective date and the last day of such Long-Term Interest Rate Period, (3) that the Series 2002B Bonds are subject to mandatory tender for purchase on such scheduled effective date and the Purchase Price applicable thereto, (4) if approved by a Favorable Opinion of Bond Counsel, any redemption periods and prices specified by the Lessee that differ from those set forth in Section 2.06 (a)(iii), (5) if the Series 2002B Bonds are secured by a Credit Facility immediately prior to such effective date and such Long-Term Interest Rate Period is a period of one year or more, that the Credit Facility applicable to the Series 2002B Bonds will be terminated as of the effective date of such new Long-Term Interest Rate Period then commencing and the ratings applicable to the Series 2002B Bonds after the termination of such Credit Facility, or that no such ratings have been obtained and (6) if the Series 2002B Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to the required delivery of bond certificates and payment of Purchase Price under Section 2.05(g) of this Second Series Supplemental Indenture.

(iv) *Adjustment from Long-Term Interest Rate Period.* In addition to an adjustment from a Long-Term Interest Rate Period on the day immediately following the last day of the Long-Term Interest Rate Period, at any time during a Long-Term Interest Rate Period (subject to the provisions in this paragraph (iv)), including a Long-Term Interest Rate Period extending to the Maturity Date, the Lessee may elect, subject to Sections 2.04(g) and 2.04(h), that the Series 2002B Bonds no longer shall bear interest at a Long-Term Interest Rate and shall instead bear interest at a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or a new Long-Term Interest Rate, as specified in such election. In the notice of such election, the Lessee shall also specify the effective date of the new Interest Rate Period, which date shall be (1) a Business Day no earlier than the 15th day after the third Business Day following the date of receipt by the Bond Registrar of the notice of election from the Lessee or, in the case of

adjustment to a new Long-Term Interest Rate Period, the 30th day following the date of receipt by the Bond Registrar of such notice and (2) a day on which the Series 2002B Bonds shall be subject to optional redemption in accordance with Section 2.06 (a)(iii). Such notice shall also (i) describe the Credit Facility, if any, in effect or to be in effect upon such adjustment from a Long-Term Interest Rate Period and identify the provider of such Credit Facility, (ii) state the date of termination or expiration of such Credit Facility, and the date of the proposed provision of such Credit Facility (which shall be on or prior to the date of such adjustment) if no Credit Facility for the Interest Rate Period following such Long-Term Interest Rate Period already is in effect and (iii) specify the ratings, if any, to be applicable to the Series 2002B Bonds after such adjustment or state that no ratings will be assigned to the Series 2002B Bonds subsequent to such adjustment. The Series 2002B Bonds shall be subject to mandatory tender for purchase on the scheduled effective date of the new Interest Rate Period in accordance with Section 2.05(c), at a Purchase Price equal to the optional Redemption Price set forth in Section 2.06 (a)(iii) which would be applicable on that date.

(c) (i) *Determination of Bond Interest Terms and Bond Interest Term Rates.* (A) During each Bond Interest Term Rate Period, each Bond shall bear interest during each Bond Interest Term for such Series 2002B Bond at the Bond Interest Term Rate for such Bond. The Bond Interest Term and the Bond Interest Term Rate for each Series 2002B Bond need not be the same for any two Series 2002B Bonds, even if determined on the same date. Each of such Bond Interest Terms and Bond Interest Term Rates for each Bond shall be determined by the Remarketing Agent no later than 12:00 noon, New York City time, on the first day of each Bond Interest Term. Each Bond Interest Term for each Bond shall be a period of not less than one day nor more than 180 days, determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all Series 2002B Bonds then outstanding, will result in the lowest overall interest expense on the Series 2002B Bonds, taking into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Series 2002B Bonds, (IV) general economic conditions, (V) economic and financial conditions that may affect or be relevant to the Series 2002B Bonds, (VI) the Bond Interest Terms of other Series 2002B Bonds and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant. Any Series 2002B Bond purchased on behalf of the Lessee and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Bond Interest Term for that Series 2002B Bond shall have a Bond Interest Term of one day or, if that Bond Interest Term would not end on a day immediately preceding a Business Day, a Bond Interest Term ending on the day immediately preceding the next Business Day. Each Bond Interest Term shall commence on a Business Day and end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date, but in no event shall any Bond Interest Term extend beyond the day which is three Business Days prior to the Stated Expiration Date of the Credit Facility. If for any reason a Bond Interest Term for any Series 2002B Bond cannot be so determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the last day so determined shall not be a day immediately preceding a Business Day, such Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would

be after the day immediately preceding the Maturity Date, such Bond Interest Term shall end on the day immediately preceding the Maturity Date.

(B) The Bond Interest Term Rate for each Bond Interest Term for each Series 2002B Bond shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such Bond, would enable the Remarketing Agent to sell such Series 2002B Bond on the date and at the time of such determination at a price (without regard to accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Series 2002B Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 75% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and with maturities most nearly equal to the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

(ii) *Adjustment to Bond Interest Term Rates.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Credit Facility Provider, the Bond Registrar, the Tender Agent, the Paying Agent and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear interest at Bond Interest Term Rates, *provided that* the Credit Facility then in effect or to be in effect on the effective date of the Bond Interest Term Rate Period has an interest component of at least 180 days of interest coverage. Such direction of the Lessee shall specify (1) the effective date of the Bond Interest Term Rate Period (during which the Series 2002B Bonds shall bear interest at Bond Interest Term Rates), which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur; *provided that*, if prior to the Lessee's making such election any Series 2002B Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Bond Interest Term Rate Period shall not precede such redemption date; and (C) in the case of an adjustment from a Daily Interest Rate Period or a Weekly Interest Rate Period, the day immediately following the last day of such Interest Rate Period; and (2) the date on which holders of Series 2002B Bonds are required to deliver such Series 2002B Bonds for purchase (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) hereof and a form of the notice to be mailed by the Bond Registrar to the holders of the Series 2002B Bonds as provided in Section 2.04(c)(iii). During each Bond Interest Term Rate Period commencing on the date so specified and ending, with respect to each Series 2002B Bond, on the day immediately preceding the effective date of the next succeeding Interest Rate Period with respect to such Series 2002B Bond, each Series 2002B Bond shall bear interest at a Bond Interest Term Rate during each Bond Interest Term for such Series 2002B Bond.

(iii) *Notice of Adjustment to Bond Interest Term Rates.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Bond Interest Term Rate Period to the holders of the Series 2002B Bonds not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Bond Interest Term Rate Period. Such notice shall state (1) that the Series 2002B Bonds shall bear interest at Bond Interest Term Rates unless a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 2002B Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C), (2) that during such Bond Interest Term Rate Period, each Bond will have one or more consecutive Bond Interest Terms during each of which such Bond will bear a Bond Interest Term Rate, (3) the scheduled effective date of such Bond Interest Term Rate Period, (4) that the Series 2002B Bonds are subject to mandatory tender for purchase on such scheduled effective date of such Bond Interest Term Rate Period and setting forth the Purchase Price applicable thereto and (5) if the Series 2002B Bonds are no longer Book-Entry Bonds, information with respect to the required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g).

(iv) *Adjustment from Bond Interest Term Rate Period.* At any time during a Bond Interest Term Rate Period, the Lessee may elect, pursuant to Section 2.04(a)(ii), 2.04(b)(ii) or 2.04(d)(ii) (and with the notice provided in such Sections), but subject to Section 2.04(h), that the Series 2002B Bonds no longer shall bear interest at Bond Interest Term Rates and shall instead bear interest at a Weekly Interest Rate, a Long-Term Interest Rate or a Daily Interest Rate, as specified in such election.

The date on which all Bond Interest Terms determined shall end shall be the last day of the then-current Bond Interest Term Rate Period and the day next succeeding such date shall be the effective date of the Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period elected by the Lessee.

(d) (i) *Determination of Daily Interest Rate.* During each Daily Interest Rate Period, the Series 2002B Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent by 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2002B Bonds, would enable the Remarketing Agent to sell the Series 2002B Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day

was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110% of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided herein for such Daily Interest Rate Period.

(ii) *Adjustment to Daily Interest Rate.* At any time, the Lessee, by written direction to the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Credit Facility Provider and the Remarketing Agent, may elect, subject to Section 2.04(h), that the Series 2002B Bonds shall bear interest at a Daily Interest Rate. Such direction of the Lessee shall specify (1) the effective date of such adjustment to a Daily Interest Rate, which shall be (A) a Business Day not earlier than the 12th day (15th day if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) following the third Business Day after receipt by the Bond Registrar of such direction, (B) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06 (a)(iii) if such adjustment did not occur and (C) in the case of an adjustment from a Bond Interest Term Rate Period, the day immediately following the last day of the Bond Interest Term Rate Period; and (2) the date on which holders of Series 2002B Bonds are required to deliver such Series 2002B Bonds to be purchased (if other than such effective date). In addition, the direction of the Lessee shall be accompanied by a Favorable Opinion of Bond Counsel to the extent required by Section 2.04(h) and by a form of notice to be mailed to the holders of the Series 2002B Bonds by the Bond Registrar as provided in Section 2.04(d)(iii). During each Daily Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period or the Maturity Date, the interest rate borne by the Series 2002B Bonds shall be a Daily Interest Rate.

(iii) *Notice of Adjustment to Daily Interest Rate.* The Bond Registrar shall give notice by first-class mail of an adjustment to a Daily Interest Rate Period to the holders of the Series 2002B Bonds not less than 12 days (15 days if the then-current Interest Rate Period shall be a Long-Term Interest Rate Period) prior to the effective date of such Daily Interest Rate Period. Such notice shall state (1) that the interest rate on the Series 2002B Bonds will be adjusted to a Daily Interest Rate (unless a Favorable Opinion of Bond Counsel as to such adjustment is required pursuant to Section 2.04(h) and such Bond Counsel fails to deliver to the Agency, the Trustee, the Lessee and the Remarketing Agent such Favorable Opinion of Bond Counsel on the effective date of such adjustment in the Interest Rate Period, in which case the Series 2002B Bonds, if being adjusted from a Weekly Interest Rate Period or a Bond Interest Term Rate Period, shall continue to bear interest at the Weekly Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or if the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period, the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C)), (2) the scheduled effective date of such Daily Interest Rate Period, (3) that the Series 2002B Bonds are subject to mandatory tender for

purchase on such scheduled effective date, setting forth the applicable Purchase Price and (4) if the Series 2002B Bonds are no longer Book-Entry Bonds and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the Purchase Price under Section 2.05(g) of this Second Series Supplemental Indenture.

(e) The determination of the Daily Interest Rate, Weekly Interest Rate and Long-Term Interest Rate and each Bond Interest Term and Bond Interest Term Rate by the Remarketing Agent, shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Bond Registrar, the Tender Agent, the Authenticating Agent, the Agency, the Lessee, the Paying Agent, the Credit Facility Provider and the holders of the Series 2002B Bonds.

(f) [Reserved]

(g) In the event that the Lessee shall elect to convert the interest rate on the Series 2002B Bonds to a Weekly Interest Rate, Bond Interest Term Rates, Long-Term Interest Rate or Daily Interest Rate as provided in Sections 2.04(a)(ii), 2.04(b)(ii), 2.04(c)(ii) or 2.04(d)(ii), then the written direction furnished by the Lessee to the Agency, the Trustee, the Credit Facility Provider, if any, the Bond Registrar, the Tender Agent, and the Remarketing Agent, if any, as required by such Sections shall be made by first class mail, or by telex or telecopy, confirmed by first class mail. Any such direction of the Lessee shall specify whether the Series 2002B Bonds are to bear interest at the Weekly Interest Rate, Bond Interest Term Rates, the Long-Term Interest Rate or the Daily Interest Rate and shall be accompanied by a copy of the notice required to be given by the Bond Registrar pursuant to Section 2.04(a)(iii), 2.04(b)(iii), 2.04(c)(iii) or 2.04(d)(iii), as the case may be.

(h) Notwithstanding anything in this Section 2.04 to the contrary, in connection with any adjustment of the Interest Rate Period on the Series 2002B Bonds, the Lessee shall cause to be provided to the Agency, the Trustee, the Credit Facility Provider, if any, and the Remarketing Agent a Favorable Opinion of Bond Counsel on the effective date of such adjustment if (i) the Series 2002B Bonds have been in an Interest Rate Period not exceeding one year, including a Daily Interest Rate Period, a Weekly Interest Period, or a Bond Interest Term Rate Period, and the Lessee designates an Interest Rate Period exceeding one year or (ii) the Bonds have been in an Interest Rate Period exceeding one year and the Lessee designates an Interest Rate Period not exceeding one year or (iii) Series 2002B Bonds are to be adjusted to a new Long-Term Interest Rate Period on a day on which the Series 2002B Bonds would otherwise be subject to optional redemption pursuant to Section 2.06(a)(iii) hereof. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period on the Series 2002B Bonds shall not be adjusted, and the Series 2002B Bonds shall continue to bear interest at a Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or Long-Term Interest Rates, as the case may be, as in effect immediately prior to such proposed adjustment in the Interest Rate Period; *provided, however,* that in the event that the Series 2002B Bonds are being adjusted from a Long-Term Interest Rate Period and Bond Counsel fails to deliver such Favorable Opinion of Bond Counsel on the effective date of such adjustment, then the Series 2002B Bonds shall be adjusted to bear interest at a Long-Term Interest Rate for the length of period provided in Section 2.04(b)(ii)(C) above. In any event, if notice of such adjustment has been mailed to the owners of the Series 2002B Bonds as provided in Section 2.04 and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as herein

described, the Series 2002B Bonds shall continue to be subject to mandatory purchase on the date which would have been the effective date of such adjustment as provided in Section 2.05.

SECTION 2.05. Purchase of Series 2002B Bonds. (a) *Optional Tender for Purchase During Daily Interest Rate Period or Weekly Interest Rate Period.* (i) During any Daily Interest Rate Period when a book entry system is in effect, a beneficial owner (through its direct participant in the Depository) may tender such beneficial owner's interest in a Series 2002B Bond (or portion thereof, as described below) on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its designated corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond (or portion thereof in an Authorized Denomination) that is being tendered for purchase and the date on which the same shall be purchased, which date shall be the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

(ii) During any Weekly Interest Rate Period when a book entry system is in effect, a beneficial owner (through its direct participant in the Depository) may tender such beneficial owner's interest in a Series 2002B Bond (or portion thereof, as described below) on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its designated corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice, which states the principal amount of such Series 2002B Bond (or portion thereof in an Authorized Denomination) that is being tendered for purchase and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

(iii) The Tender Agent shall promptly send a copy of any notice delivered to it pursuant to this Section 2.05(a) by telecopy to the Remarketing Agent and the Credit Facility Provider. On the date for purchase specified in the notice, the beneficial owner shall effect delivery of such Series 2002B Bonds by causing the direct participant through which such beneficial owner owns such Series 2002B Bonds to transfer its interest in such Series 2002B Bonds, in an amount equal to the principal amount tendered by such beneficial owner, on the records of the Depository for such Series 2002B Bonds to the participant account of the Tender Agent with the Depository by the time specified in (iv) below.

(iv) During any Daily Interest Rate Period or Weekly Interest Rate Period when a book entry system is not in effect, an owner of a Series 2002B Bond may tender the Series 2002B Bond by delivery of the notice described above by the time set forth above and shall also deliver the Series 2002B Bond to the Tender Agent by 12:00 Noon, New York City time, on the date specified for purchase.

(b) *Mandatory Tender for Purchase On Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period.* On the day next succeeding the last day of each Bond Interest Term for a Series 2002B Bond, unless such day is the Maturity Date or the first day of a new Interest Rate Period (in which event such Bond shall be subject to mandatory purchase pursuant to Section 2.05(c)), such Series 2002B Bond shall be purchased from its holder at a Purchase Price equal to the principal amount thereof payable in immediately available funds. The Purchase Price of any Bond so purchased shall be payable only upon (i) if a book entry system is not in effect, surrender of such Series 2002B Bond to the Tender Agent at its principal office for delivery of Series 2002B Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed or (ii) if a book entry system is in effect, registration of the ownership rights in such Bond to the Tender Agent on the records of the Depository.

(c) *Mandatory Tender for Purchase on First Day of Each Interest Rate Period.* The Series 2002B Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period had one of the events specified in Sections 2.04(b)(ii)(D) or 2.04(h) not occurred which resulted in the interest rate on the Series 2002B Bonds not being adjusted, at a Purchase Price, payable in immediately available funds, equal to the principal amount of the Series 2002B Bonds or, in the case of a purchase on the first day of an Interest Rate Period (including a Long-Term Interest Rate Period) which shall be preceded by a Long-Term Interest Rate Period and which shall commence prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a Purchase Price equal to the optional Redemption Price set forth in Section 2.06 (a)(iii) which would have been applicable to the Series 2002B Bonds on such mandatory purchase date if such preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest if any.

(d) *Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of the Credit Facility.* If at any time the Trustee shall give notice in accordance with Section 3.04 that the Series 2002B Bonds that, at such time, are subject to payment under a Credit Facility then in effect shall on the date specified in such notice cease to be payable from such Credit Facility as a result of (A) the termination or expiration of the term of such Credit Facility, or (B) such Credit Facility being replaced, in either case with the effect that the Series 2002B Bonds are no longer payable from such Credit Facility (in each case, whether or not any Alternate Credit Facility has been obtained), then on the fifth calendar day preceding any termination, expiration, or replacement of the Credit Facility, such Series 2002B Bonds shall be purchased or deemed purchased as provided herein. The Purchase Price for such Series 2002B Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

(e) *Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement.* When the Series 2002B Bonds bear interest at a Daily Interest Rate or a Weekly Interest Rate, all Series 2002B Bonds shall be subject to mandatory tender for purchase on the fifth Business Day (or the next succeeding Business Day if such day is not a Business Day) following receipt by the Trustee of notice from a Credit Facility Provider which has issued a Credit Facility then securing the Series 2002B Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 2002B Bonds and directing the mandatory purchase of the Series 2002B Bonds. The Trustee shall give prompt notice to the Remarketing Agent of receipt of such notice from such Credit Facility Provider. In addition, no later than the Business Day following receipt of such notice described above, the Trustee shall give notice by first class mail, postage prepaid, to the owners of the Series 2002B Bonds, the Agency, such Credit Facility Provider, the Lessee and the Remarketing Agent stating that an Event of Default has occurred under the Credit Facility Agreement and that the Series 2002B Bonds are subject to mandatory tender for purchase. The Purchase Price for such Series 2002B Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

(f) *Mandatory Tender for Failure of Credit Facility Provider to Reinstate Interest.* In the event any Credit Facility shall be in effect with respect to the Series 2002B Bonds, the Series 2002B Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated. The Trustee shall give prompt notice to the Remarketing Agent or receipt of such notice from such Credit Facility Provider. In addition, no later than the Business Day following receipt of such notice described above, the Trustee shall give notice by first class mail, postage prepared, to the owners of the Series 2002B Bonds, the Agency, such Credit Facility Provider, the Lessee and the Remarketing Agent stating that the interest component of the Credit Facility will not be reinstated and that the Series 2002B Bonds are subject to mandatory tender for purchase. The Purchase Price for the Series 2002B Bond shall be equal to the principal amount thereof, plus accrued interest (if any).

(g) *Notice of Mandatory Tender for Purchase.* In connection with any mandatory tender for purchase of Series 2002B Bonds in accordance with Sections 2.05(c), 2.05(d), 2.05(e) or 2.05(f), the Trustee shall give notice of a mandatory tender for purchase as a part of the notice given pursuant to Sections 2.04(a)(iii), 2.04(b)(iii), 2.04(c)(iii), 2.04(d)(iii), 2.05(e), 2.05(f) or 3.04. Such notice shall state (A) in the case of a mandatory tender for purchase pursuant to Section 2.05(c), the type of Interest Rate Period to commence on such mandatory purchase date; (B) in the case of a mandatory tender for purchase pursuant to Sections 2.05(d) and 3.04 hereof, that the Applicable Credit Facility will expire, terminate, or be replaced and that the Series 2002B Bonds shall no longer be payable from such Credit Facility then in effect and that any rating applicable thereto may be reduced or withdrawn; (C) in the case of a mandatory tender for purchase pursuant to Section 2.05(e), that an Event of Default has occurred under the Applicable Credit Facility Agreement; (D) in the case of a mandatory tender for purchase pursuant to Section 2.05(f), that the interest component of the Credit Facility will not reinstated; (E) that the Purchase Price of any Series 2002B Bond so subject to mandatory purchase shall be payable only upon (i) if a book entry system is not in effect, surrender of such Bond to the Tender Agent at its principal office for delivery of Series 2002B Bonds, accompanied by an instrument of

transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed or (ii) if a book entry system is in effect, registration of the ownership rights in such Series 2002B Bond to the Tender Agent on the records of the Depository; (F) that, *provided* that moneys sufficient to effect such purchase have been provided through the remarketing of such Series 2002B Bonds by the Remarketing Agent or through the Credit Facility (or if such sources are insufficient, through payments by the Lessee or the Guarantor), all Series 2002B Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date, and that if any owner of a Bond subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase (or if a book entry system is in effect, effect the transfer of ownership rights to the Tender Agent on the records of the Depository) on such mandatory purchase date, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Tender Agent as described in Article V, then such Series 2002B Bond shall be deemed to be an "Undelivered Bond", and that no interest shall accrue thereon on and after such mandatory purchase date and that the holder thereof shall have no rights under the Indenture other than to receive payment of the Purchase Price thereof; and (G) in the event that moneys sufficient to pay the Purchase Price of such Series 2002B Bonds have not been provided to the Tender Agent, that such Series 2002B Bonds shall not be purchased or deemed purchased and shall continue to bear interest as if such failed purchase shall not have occurred. In connection with any mandatory tender for purchase of Series 2002B Bonds in accordance with Section 2.05(d) as a result of the termination, expiration, or replacement of an Applicable Credit Facility, such notice also shall (W) describe generally the Credit Facility, if any, in effect prior to such termination, expiration, or replacement and the Alternate Credit Facility, if any, in effect or to be in effect upon such termination, expiration, or replacement and identify the provider of such Alternate Credit Facility, (X) state the date of such termination, expiration, or replacement, and the date of the proposed provision of the Alternate Credit Facility, if any, (Y) specify the ratings, if any, to be applicable to such Series 2002B Bonds after such termination, expiration, or replacement of the Credit Facility, or state that no ratings will be assigned to such Series 2002B Bonds subsequent to such termination, expiration, or replacement of the Credit Facility, and (Z) describe any special restrictions or procedures (if any) applicable to the registration of transfer of such Series 2002B Bonds. The Lessee shall provide the Trustee and the Credit Facility Provider with a form of any such notice.

Subject to the provisions of Section 3.12 of the Indenture relating to Bonds held in a book entry system, for payment of the Purchase Price of any Series 2002B Bond required to be purchased pursuant to this Section 2.05 on the date specified, such Series 2002B Bond must be delivered, at or prior to 12:00 Noon, New York City time, on the date specified in such notice, to the Tender Agent at its principal office for delivery of Series 2002B Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed. In the event any such Series 2002B Bond is delivered after 12:00 Noon, New York City time, on such date, payment of the purchase price of such Series 2002B Bond need not be made until the Business Day following the date of delivery of such Series 2002B Bond, but such Series 2002B Bond shall nonetheless be deemed to be an "Undelivered Bond" and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

(h) *Irrevocable Notice Deemed to be Tender of Bond; Undelivered Series 2002B Bonds.* (i) The giving of notice by an owner of a Series 2002B Bond as provided in

Section 2.05(a) shall constitute the irrevocable tender for purchase of each such Series 2002B Bond with respect to which such notice shall have been given, regardless of whether such Series 2002B Bond is delivered to the Tender Agent for purchase on the relevant Purchase Date as provided in Section 2.05, *provided* that moneys sufficient to pay the Purchase Price of such Series 2002B Bonds are on deposit with the Tender Agent for such purpose.

(ii) The Tender Agent may refuse to accept delivery of any Series 2002B Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Series 2002B Bond as herein described. If any holder of a Series 2002B Bond who shall have given notice of tender of purchase pursuant to Section 2.05(a), if a book entry system is not in effect, shall fail to deliver such Series 2002B 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 2002B Bond properly endorsed, or, if a book entry system is in effect, shall fail to cause its beneficial ownership to be transferred to the Tender Agent on the records of the Depository, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Tender Agent for such purpose, such Series 2002B Bond shall be deemed to be an "Undelivered Bond". If funds in the amount of the Purchase Price of the Undelivered Bonds (including the Undelivered Bonds referred to in Section 2.05(g)) 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, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (2) interest shall no longer accrue thereon; and (3) 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 2002B Bonds. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested and not commingled.

SECTION 2.06. Redemption Provisions. The Series 2002B Bonds shall be subject to redemption prior to maturity as follows:

(a) Optional Redemption

(i) During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

(ii) On the day succeeding the last day of any Bond Interest Term with respect to any Series 2002B Bond, such Series 2002B Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

(iii) (a) The Series 2002B Bonds shall be subject to redemption in whole or in part on any date prior to maturity on or after August 1, 2012 at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 2002B Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

| Redemption Periods | Redemption Prices |
|---|---|
| August 1, 2012 through July 31, 2013 | 101% |
| August 1, 2013 through July 31, 2014 | 100-1/2% |
| August 1, 2014 and thereafter | 100% |

(b) During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of such Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or, if approved by a Favorable Opinion of Bond Counsel as provided in Section 2.04(b)(ii), during the periods specified in the notice of the Lessee to the Bond Registrar pursuant to Section 2.04(b)(ii)(A)) the Series 2002B Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as a percentage of principal amount) hereinafter indicated (or specified in the notice of the Lessee to the Bond Registrar pursuant to Section 2.04(b)(ii)(A)), plus accrued interest, if any, to the redemption date:

| LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS) | REDEMPTION PRICES |
|---|---|
| greater than 15 | after 10 years at 102%, declining by 1% every year to 100% |
| less than or equal to 15 and greater than 10 | after 7 years at 102%, declining by 1% every year to 100% |
| less than or equal to 10 and greater than 7 | after 5 years at 102%, declining by 1% |

| | |
|---|---|
| | every year to 100% |
| less than or equal to 7 and greater than 4 | after 3 years at 101%, declining by 1% after a year to 100% |
| less than or equal to 4 | after 2 years at 100% |

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

(v) Extraordinary Optional Redemption Without Premium. The Series 2002B Bonds are further subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

(b) Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002B Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or

substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with interest accrued to the date of redemption, and without premium.

(c) Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002B Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium.

(d) Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002B Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The Redemption Price of any Series 2002B Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002B Bonds to be redeemed shall be determined by the Lessee.

(e) Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002B Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

(f) Mandatory Sinking Fund Redemption. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

| August 1 of the year | Principal Amount |
|---|---|
| 2015 | $15,140,000 |
| 2016 | $16,425,000 |
| 2017 | $17,825,000 |
| 2018 | $19,340,000 |
| 2019 | $20,980,000 |

| | |
|---|---|
| 2020 | $22,765,000 |
| 2021 | $24,700,000 |
| 2022 | $26,800,000 |
| 2023 | $29,080,000 |
| 2024 | $31,550,000 |
| 2025 | $34,230,000 |
| 2026 | $37,140,000 |
| 2027 | $40,300,000 |
| 2028* | $43,725,000 |

* Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation in accordance with Sections 5.06(e), (f) and (g) of the Indenture.

(g) Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002B Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002B Bonds or the Lessee of a Determination of Taxability. Payment of such Redemption Price with respect to the Series 2002B 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 2002B Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002B Bonds would have the result that interest payable on the remaining Series 2002B Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002B Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

(h) Redemption of Series 2002B Bonds permitted or required by this Section 2.06 shall be made as follows, and the Trustee shall give the notice of redemption referred to and in accordance with Section 6.03 of the Indenture in respect of each such redemption.

(1) Redemption shall be made pursuant to the optional redemption provisions of Section 2.06(a) hereof at such times as are permitted thereunder and in such principal amounts as the Lessee shall request in a written notice to the Agency and Trustee; and

(2) Redemption shall be made pursuant to the optional redemption provision of Section 2.06(b) and the mandatory redemption provisions of Sections 2.06 (c), (d), (e), (f) and (g) hereof, without the necessity of any instructions or further act of the Agency (other than the determination by the Agency described in Section 2.06(b) hereof) or the Lessee.

(i) Under no circumstances shall the Trustee be required to use any of its own funds to effect any redemption of Series 2002B Bonds.

(j) If all Series 2002B Bonds are redeemed as provided in any of the preceding paragraphs (a) through (g), then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002B Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

(k) If the lien of the Indenture has been defeased with respect to the Series 2002B Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002B Bonds, the Series 2002B Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

SECTION 2.07. Execution of Series 2002B Bonds. The Series 2002B Bonds shall be executed on behalf of the Agency by the manual or facsimile signature of the Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director of the Agency, and the seal of the Agency shall be affixed thereto or imprinted thereon and attested by the manual or facsimile signature of the Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of said Series 2002B Bonds. In case one or any of the officers who shall have signed or attested the Series 2002B Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series 2002B Bonds so signed and attested shall have been actually issued and delivered, the Series 2002B Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on the Series 2002B Bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002B Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 2.08. Authentication. Only such Series 2002B Bonds as shall have endorsed thereon a certificate of authentication, in substantially the form set forth in the Form of Bond in the recitals of this Second Series Supplemental Indenture, duly executed by the Trustee, shall be entitled to any right or benefit under the Indenture. No Series 2002B Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until such certificate of authentication on such Series 2002B Bond shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Series 2002B Bond

shall be conclusive evidence that such Series 2002B Bond has been duly authenticated and delivered under the Indenture. The Trustee's certificate of authentication on any Series 2002B Bond shall be deemed to have been duly executed if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Series 2002B Bonds.

SECTION 2.09. Book-Entry Bonds; Depository for the Series 2002B Bonds. The Series 2002B Bonds shall be issued as Book-Entry Bonds. The Depository Trust Company, New York, New York is hereby appointed as the Depository for the Series 2002B Bonds.

SECTION 2.10. Tax-Exempt Bond. The Series 2002B Bonds shall be issued as Tax-Exempt Bonds.

## ARTICLE III.

## CREDIT FACILITIES

SECTION 3.01. Credit Facility for Series 2002B Bonds. (a) Upon conversion of the Series 2002B Bonds to a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rate, a Credit Facility shall be required to be delivered by the Lessee to the Trustee, and the Trustee is hereby directed, on or prior to each Interest Payment Date, to make a drawing under the Credit Facility relating to the Series 2002B Bonds no later than the time provided in such Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 12:30 p.m., New York City time, on such date, equal to the interest on Series 2002B Bonds then payable from the Credit Facility due on such Interest Payment Date (other than such interest representing a portion of the Purchase Price of any Series 2002B Bonds required to be purchased on such date and other than any interest due on Bank Bonds) and to use such drawing to pay such interest due on the Series 2002B Bonds on such Interest Payment Date. The proceeds of such drawing shall be deposited in the Series 2002B Credit Facility Account of the Bond Fund established pursuant to Section 3.01(f) hereof, separate and apart from any moneys not received pursuant to a draw on a Credit Facility, pending application to the payment of interest on such Series 2002B Bonds. The Trustee shall direct that the proceeds of any such drawing shall then be transferred directly to the Paying Agent or the Tender Agent, as appropriate. In determining the amount of any such interest then due, the Trustee shall not take into consideration any interest due on any Series 2002B Bond for any period when such Series 2002B Bond is a Bank Bond or for any Series 2002B Bonds owned by or, to the knowledge of the Trustee, for the account of the Agency, AMR or the Lessee or any affiliate of any of them, and no drawings under the Credit Facility shall be made, or be used, to pay interest on any Series 2002B Bond for any period when such Series 2002B Bond is a Bank Bond or for any Series 2002B Bonds owned by the Agency, AMR or the Lessee or any affiliate of any of them.

(b) On or prior to each date on which a payment of principal or redemption premium (if any) on any Series 2002B Bonds then payable from the Credit Facility is due either by maturity or as a result of any mandatory or optional redemption of such Series 2002B Bonds or any acceleration of the maturity of such Series 2002B Bonds or otherwise (in each case, other than an amount representing the principal portion of the Purchase Price of any such Series 2002B Bonds required to be purchased on such date and other than any principal due on Bank Bonds),

the Trustee is hereby directed to make a drawing under the Credit Facility no later than the time provided in the Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 12:30 p.m., New York City time, on the date such principal or redemption premium (if covered by such Credit Facility) is payable, equal to the amount of such principal payment and, if covered by the Credit Facility then in effect, redemption premium, and accrued interest, and to use such drawing to make such payment. The proceeds of such drawing shall be deposited in the Series 2002B Credit Facility Account of the Bond Fund established pursuant to Section 3.01(f) hereof, separate and apart from any moneys not received pursuant to a draw on a Credit Facility, pending application to the payment of the principal and premium (if applicable) of such Series 2002B Bonds. The Trustee shall then transfer the proceeds of any such drawing directly to the Paying Agent or the Tender Agent, as appropriate. In determining the amount of such principal and premium (if applicable) then due, the Trustee shall not take into consideration any principal or redemption premium, if any, required on Bank Bonds or for any Series 2002B Bonds owned by or, to the knowledge of the Trustee, for the account of the Agency, the Lessee, AMR or any affiliate of any of them, and no drawings under the Credit Facility shall be made or be used to pay any principal or redemption premium, if any, of Bank Bonds or for any Series 2002B Bonds owned by the Agency or the Lessee or any affiliate of either of them.

(c) If at any time there shall have been delivered to the Trustee an Alternate Credit Facility pursuant to Section 3.02 of this Second Series Supplemental Indenture, together with the documents required by such Section 3.02, then the Trustee shall accept such new Credit Facility and surrender the previously held Credit Facility for cancellation in accordance with the terms of such previously held Credit Facility, *provided that* no such surrender shall occur until after the date on which the Series 2002B Bonds that are subject to mandatory purchase in accordance with Section 2.05(d) are so purchased. If at any time all of the Series 2002B Bonds then secured by a Credit Facility shall have been defeased pursuant to Article X of the Indenture, the Trustee shall surrender such Credit Facility in effect prior to such defeasance to the issuer or provider thereof in accordance with the terms of such Credit Facility for cancellation. The Trustee shall comply with the procedure set forth in the Credit Facility relating to the termination thereof and is authorized to deliver certificates reducing the stated amount of the Credit Facility in accordance with the provisions thereof.

(d) In connection with the replacement, termination, or expiration, of the Credit Facility requiring mandatory purchase of Series 2002B Bonds as provided in Section 2.05(d) hereof, the Bond Registrar is hereby directed to give the notice of mandatory tender for purchase of the Series 2002B Bonds as provided in Section 2.05(g).

(e) Money received pursuant to draws on a Credit Facility shall only be applied to the payment of principal (except for principal on any Bank Bonds), redemption premium (if any, excluding premium due on Bank Bonds, and only to the extent provided for by such Credit Facility), Purchase Price (only to the extent provided for by such Credit Facility) or interest on the Series 2002B Bonds (except for any interest accruing on the Series 2002B Bonds while such Series 2002B Bonds are Bank Bonds), or, if not needed for such purpose, shall be returned to the Credit Facility Provider to the extent that the Credit Facility Provider has not been reimbursed by the Lessee for draws made on the Credit Facility and otherwise to the Lessee.

(f) Upon delivery of a Credit Facility to the Trustee with respect to the Series 2002B Bonds, the Trustee shall establish and maintain a separate and segregated account within the Bond Fund entitled the "Series 2002B Credit Facility Account". Monies or the proceeds from the investment of such monies deposited in such account received shall be held separate and apart from all other monies in the Bond Fund, including specifically all monies transferred from the Lease Payments Fund to the Bond Fund.

SECTION 3.02. Alternate Credit Facility for Series 2002B Bonds. If at any time there shall be delivered to the Trustee (i) an Alternate Credit Facility, (ii) a Favorable Opinion of Bond Counsel, (iii) either (A) written evidence from Moody's, if the Series 2002B Bonds are then rated by Moody's, and S&P, if the Series 2002B Bonds are then rated by S&P, in each case to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and stating the ratings of the Series 2002B Bonds after substitution of such Alternate Credit Facility or (B) a statement of the Lessee that no ratings have been obtained, (iv) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an Opinion of Counsel that no registration of the Series 2002B Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, and (v) an Opinion of Counsel satisfactory to the Trustee to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, (vi) all information required to give the notice of mandatory tender for purchase of the Series 2002B Bonds as required by Section 2.05(d), then the Trustee shall accept such Alternate Credit Facility and, after the date of the mandatory tender for purchase established pursuant to Section 2.05(d), promptly (x) surrender the Credit Facility then in effect to the Credit Facility Provider which issued such Credit Facility in accordance with its terms for cancellation or (y) deliver any document necessary to reduce the coverage of such Credit Facility to zero.

SECTION 3.03. Rights and Duties under Credit Facilities Relating to Series 2002B Bonds. If a Credit Facility securing the Series 2002B Bonds has been delivered to the Trustee by the Credit Facility Provider, the Trustee is hereby instructed, without further direction, to draw amounts under such Credit Facility or such Alternate Credit Facility as may be substituted therefor in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in this Second Series Supplemental Indenture. If the Trustee makes a drawing under a Credit Facility relating to the Series 2002B Bonds after the principal of the Series 2002B Bonds shall have been declared immediately due and payable following the occurrence of an Event of Default with respect to the Series 2002B Bonds, the proceeds of such drawing shall be applied by the Trustee as promptly as practicable to the payment of the Series 2002B Bonds entitled to be paid therefrom. So long as a Credit Facility remains in effect with respect to any Series 2002B Bonds, the Trustee may not waive any Event of Default with respect to the Series 2002B Bonds if a drawing has been made under the Credit Facility, all or any portion of which is subject to reinstatement as provided in the Credit Facility relating thereto, and such reinstatement has not yet occurred. The Agency agrees that the Trustee in its name or in the name of the Agency may enforce all rights of the Trustee and of the Agency and all obligations of any Credit Facility Provider (including the obligation of the Credit Facility Provider to honor drafts duly presented in accordance with the terms and conditions of the Credit Facility) under and pursuant to the Credit Facility, for the benefit of the holders of the Series 2002B Bonds. The Trustee agrees to assume and perform the duties and obligations contemplated under any Credit Facility to be assumed and performed by the Trustee.

SECTION 3.04. Notice of Termination or Other Change in Credit Facility for Series 2002B Bonds. The Trustee shall give notice by mail to the holders of the Series 2002B Bonds then payable from the Credit Facility (if any) on or before the 15th day preceding the replacement, termination or expiration of such Credit Facility in accordance with its terms, which notice shall, to the extent applicable, (1) describe generally the Credit Facility, if any, in effect prior to such replacement, termination, or expiration and the Alternate Credit Facility, if any, in effect or to be in effect upon such replacement, termination, or expiration (2) state the date of such replacement, termination, or expiration, and the date of the proposed substitution of the Alternate Credit Facility (if any), (3) specify the rating, if any, to be applicable to such Series 2002B Bonds after such replacement, termination, or expiration of the Credit Facility or state that no ratings have been obtained with respect to such Series 2002B Bonds for the period subsequent to such replacement, termination, or expiration, of the Credit Facility, and (4) state that the Series 2002B Bonds will be purchased pursuant to Section 2.05(d) on the fifth calendar day preceding such replacement, termination, or expiration. The Lessee will give the Trustee, Bond Registrar, the Remarketing Agent and Paying Agent written notification of any replacement, termination, or expiration of the Credit Facility as soon as practicable after receiving knowledge thereof. The Lessee shall provide the Trustee with written notice of any information required to enable the Trustee to give the foregoing notice and shall provide the Trustee with the form of such notice.

SECTION 3.05. Notice by Trustee to Reduce Credit Facility. In the event that the Series 2002B Bonds shall be redeemed in whole or in part, and if a Credit Facility is then in effect with respect to the Series 2002B Bonds, the Trustee, at the written direction of the Lessee, shall give notice to the Credit Facility Provider in the manner required by the Credit Facility to reflect such reduction in the principal amount of the Series 2002B Bonds as a result of such redemption.

SECTION 3.06. Certificate of Assumption. Simultaneously with the delivery of any Credit Facility hereunder by any Credit Facility Provider, such Credit Facility Provider shall deliver to the Port Authority a Certificate of Assumption required by the Consent Agreement. Delivery of such Certificate of Assumption shall be a precondition to the acceptance by the Trustee of any Credit Facility hereunder.

## ARTICLE IV.

## ESTABLISHMENT OF ACCOUNTS; APPLICATION OF BOND PROCEEDS; CAPITALIZED INTEREST

SECTION 4.01. Establishment of Accounts. The following Accounts shall be established and held within the following Funds and said Accounts shall maintained and applied by the Trustee in accordance with Article V of the Indenture:

(a) Within the Project Fund

(i) Series 2002B Construction Account

(b) Within the Bond Fund

(i) Series 2002B Principal Account

(ii) Series 2002B Interest Account

(iii) Series 2002B Redemption Account

(iv) Series 2002B Sinking Fund Redemption Account

(v) Series 2002B Debt Service Reserve Account

SECTION 4.02. Application of Series 2002B Bond Proceeds. All moneys received by the Agency from the sale of the Series 2002B Bonds shall be simultaneously disbursed as follows:

(i) $2,691,666.67 shall be deposited into the Series 2002B Interest Account of the Bond Fund;

(ii) $322,928,940.00 shall be deposited into the Series 2002B Construction Account of the Project Fund.

(iii) $36,102,660.00 shall be deposited into the Series 2002B Debt Service Reserve Account of the Bond Fund.

## ARTICLE V.

## REMARKETING AGENT; TENDER AGENT; PURCHASE AND REMARKETING OF SERIES 2002B BONDS

SECTION 5.01. Remarketing Agent and Tender Agent for Series 2002B Bonds. (a) In accordance with and subject to the Remarketing Agreement, the Lessee, with the consent of the Agency, shall appoint the Remarketing Agent at least thirty (30) days prior to the date that the Series 2002B Bonds shall first be subject to mandatory tender. The Lessee shall with the consent of the Agency appoint any successor Remarketing Agent for the Series 2002B Bonds subject to the conditions set forth in Section 5.02(a). Each Remarketing Agent shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Agency, the Credit Facility Provider and the Lessee under which such Remarketing Agent will agree, particularly, to keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Agency, the Credit Facility Provider and the Lessee at all reasonable times.

(b) The Lessee, with the consent of the Agency (such consent not to be unreasonably withheld) shall, appoint a Tender Agent at least sixty (60) days prior to the date that the Series 2002B Bonds shall first be subject to mandatory tender. The Lessee shall with the consent of the Agency, such consent not to be unreasonably withheld or delayed, appoint any successor Tender Agent for the Series 2002B Bonds, subject to the conditions set forth in Section 5.02(b). Each Tender Agent shall designate its principal office(s) for delivery of notices and delivery of Series

2002B Bonds and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Trustee, the Bond Registrar, the Lessee, the Credit Facility Provider and the Remarketing Agent. By acceptance of its appointment hereunder, the Tender Agent agrees:

(i) to hold all Series 2002B Bonds delivered to it pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the respective owners which shall have so delivered such Series 2002B Bonds until moneys representing the Purchase Price of such Series 2002B Bonds shall have been delivered to or for the account of or to the order of such owners;

(ii) to establish and maintain a separate segregated trust fund designated as the "New York City Industrial Development Agency Special Facility Revenue Bonds Series 2002B (American Airlines, Inc. Kennedy International Airport Project), Bond Purchase Fund" (the "Series 2002B Bond Purchase Fund"), and to establish and maintain in the Series 2002B Bond Purchase Fund a remarketing account (the "Series 2002B Remarketing Account"), a Credit Facility Bond Purchase Account (the "Series 2002B Credit Facility Bond Purchase Account") and a Lessee Payments account (the "Series 2002B Lessee Payments Account"), until such time as it has been discharged from its duties as Tender Agent hereunder;

(iii) to hold all moneys (without investment thereof) delivered to it hereunder in the Series 2002B Bond Purchase Fund for the purchase of Series 2002B Bonds pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the Series 2002B Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iv) to hold all moneys delivered to it by the Lessee or the Guarantor for the purchase of Series 2002B Bonds pursuant to Section 2.05, as agent and bailee of, and in escrow for the benefit of, the owners or former owners who shall deliver Series 2002B Bonds to it for purchase until the Series 2002B Bonds purchased with such moneys shall have been delivered to or for the account of the Lessee; *provided, however,* that if the Series 2002B Bonds shall at any time become due and payable, the Tender Agent shall cause such moneys (other than moneys held pursuant to Section 5.03(c)(ii)) to be deposited into the Bond Fund;

(v) to hold all Series 2002B Bonds registered in the name of the new owners thereof that have been delivered to it by the Bond Registrar for delivery to the Remarketing Agent in accordance with the Tender Agreement;

(vi) to hold Series 2002B Bonds for the account of the Lessee or the Guarantor as contemplated by Section 5.03(c); and

(vii) to keep such books and records as shall be consistent with customary industry practice and to make such books and records available for inspection by the Agency, the Trustee, the Lessee, the Credit Facility Provider and the Remarketing Agent at all reasonable times.

The Agency shall cooperate with the Lessee, the Trustee and the Bond Registrar to cause the necessary arrangements to be made and to be thereafter continued to enable the Tender Agent to perform its duties and obligations described above.

SECTION 5.02. Qualifications of Remarketing Agent and Tender Agent; Resignation; Removal. (a) The Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this Second Series Supplemental Indenture. Any successor Remarketing Agent shall have, or be a subsidiary of another corporation or a partnership which includes as a general partner an entity which shall have, senior unsecured long-term debt which shall be rated, so long as the Series 2002B Bonds shall be rated by Moody's, at least Baa3/P-3 or otherwise qualified by Moody's. The Remarketing Agent may at any time resign and be discharged of its duties and obligations hereunder upon providing the Agency, the Lessee, the Tender Agent, the Credit Facility Provider, the Paying Agent, the Bond Registrar and the Trustee with 30 days' prior written notice. Subject to the written consent of the Agency, which consent will not be unreasonably withheld or delayed, the Remarketing Agent may be removed at any time, at the direction of the Lessee, by an instrument signed by the Lessee, filed with the Agency, the Trustee, the Tender Agent, the Bond Registrar, the Credit Facility Provider and the Remarketing Agent at least 30 days prior to the effective date of such removal. In the event that the Remarketing Agent has resigned or been removed and no successor Remarketing Agent has been appointed by the Lessee, the Lessee shall appoint a temporary remarketing agent qualified under Section 5.02(a) to perform the duties of the Remarketing Agent until a successor Remarketing Agent has been appointed; *provided, however,* that no resignation or removal shall be effective unless there is a successor Remarketing Agent or a temporary remarketing agent in place.

(b) The Tender Agent shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, and, if not a bank or trust company, for so long as the Series 2002B Bonds shall be rated by Moody's, shall have senior unsecured debt which shall be rated at least Baa3/P-3 or otherwise qualified by Moody's, and in any case having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this Second Series Supplemental Indenture and the Tender Agreement. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Second Series Supplemental Indenture by giving at least 60 days' notice to the Trustee, the Bond Registrar, the Lessee, the Credit Facility Provider and the Remarketing Agent. The Tender Agent may be removed, at the direction of the Lessee, by an instrument signed by the Lessee, filed with the Agency, the Tender Agent, the Trustee, the Bond Registrar, the Credit Facility Provider and the Remarketing Agent.

Upon the effective date of resignation or removal of the Tender Agent, the Tender Agent shall deliver any Series 2002B Bonds and moneys held by it in such capacity to its successor.

SECTION 5.03. Notice of Series 2002B Bonds Delivered for Purchase; Purchase of Series 2002B Bonds. (a) The Tender Agent shall determine timely and proper delivery of Series 2002B Bonds pursuant to this Second Series Supplemental Indenture and the proper endorsement of such Series 2002B Bonds. Such determination shall be binding on the owners of such Series 2002B Bonds, the Agency, the Lessee, the Remarketing Agent, the Credit Facility Provider and the Trustee, absent manifest error. In accordance with the provisions of the Tender Agreement, the Tender Agent shall give notice by telephone, or telecopy, promptly confirmed by a written notice, to the Trustee, the Bond Registrar, the Remarketing Agent, the Credit Facility Provider

and the Lessee specifying the principal amount of Series 2002B Bonds, if any, as to which it shall receive notice of tender for purchase in accordance with Section 2.05(a).

(b) Series 2002B Bonds required to be purchased in accordance with Section 2.05 shall be purchased from the owners thereof, on the date and at the Purchase Price at which such Series 2002B Bonds are required to be purchased. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated:

(i) proceeds of the sale of such Series 2002B Bonds remarketed to any person pursuant to Section 5.04 and furnished to the Tender Agent by the purchasers or by the Remarketing Agent for deposit into the Remarketing Account of the Series 2002B Bond Purchase Fund; and

(ii) moneys furnished by or at the direction of the Trustee to the Tender Agent for deposit into the Series 2002B Credit Facility Bond Purchase Account of the Series 2002B Bond Purchase Fund representing moneys received from draws on the Credit Facility; and

(iii) moneys furnished by the Trustee to the Tender Agent for deposit into the Series 2002B Lessee Payment Account of the Series 2002B Bond Purchase Fund representing moneys provided to the Trustee by the Lessee or the Guarantor.

In the event that a premium is required to be paid upon the purchase of any Series 2002B Bonds as provided in Section 2.05, and the Credit Facility then in effect with respect to such Series 2002B Bonds shall not provide for the payment of a premium upon the purchase of such Bond, then moneys derived from draws on the Credit Facility shall be applied solely to the payment of principal of and interest on such Series 2002B Bonds and not to the payment of any such premium.

The Tender Agent may establish separate accounts or sub-accounts within the Series 2002B Bond Purchase Fund for such purposes as the Tender Agent may deem appropriate.

(c) (i) If a book entry system is not in effect, the Bond Registrar shall authenticate a new Series 2002B Bond or Series 2002B Bonds in an aggregate principal amount equal to the principal amount of Series 2002B Bonds purchased in accordance with Section 5.03(b), whether or not the Series 2002B Bonds so purchased are presented by the owners thereof, bearing a number or numbers not contemporaneously outstanding. Every Bond authenticated and delivered as provided in this Section 5.03 shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Series 2002B Bonds duly issued hereunder. The Bond Registrar shall maintain a record of the Series 2002B Bonds purchased as provided in this Section 5.03, together with the names and addresses of the former owners thereof and shall in the case of any Series 2002B Bonds purchased pursuant to Section 5.03(b)(ii) make a notation required to be made on the Bond Register that such Series 2002B Bonds are Bank Bonds. If a book entry system is in effect with respect to the Series 2002B Bonds, on any date on which beneficial ownership in the Series 2002B Bonds is tendered at the option of the owner of such beneficial interest (acting through its participant in the Depository) in accordance with Section 2.05(a) of this Second Series Supplemental Indenture (including transfer of the beneficial ownership interest of the tendering owner to the account of the Tender Agent at the

Depository), the Tender Agent shall transfer ownership of such beneficial ownership on the records of the Depository as provided in Section 5.05 of this Second Series Supplemental Indenture. In the event a book entry system is in effect with respect to the Series 2002B Bonds, on any date on which beneficial ownership interest in the Series 2002B Bonds is subject to mandatory tender in accordance with Section 2.05 of this Second Series Supplemental Indenture, the Tender Agent shall transfer beneficial ownership of the Series 2002B Bonds on the records of the Depository to indicate the ownership of such Series 2002B Bonds as provided in Section 5.05 of this Second Series Supplemental Indenture, regardless of whether the owners of the beneficial interests subject to mandatory tender transfer their beneficial ownership of the Series 2002B Bonds to the Tender Agent on the records of the Depository, and moneys for the purchase of the beneficial interests subject to mandatory tender shall be transferred by the Tender Agent to the Depository for transfer to the owners of such beneficial interests subject to mandatory purchase.

(ii) If a book entry system is not in effect, in the event any Series 2002B Bonds purchased as provided in this Section 5.03 shall not be presented to the Tender Agent, the Tender Agent shall segregate and hold the moneys for the Purchase Price of such Series 2002B Bonds in trust for the benefit of the former owners of such Series 2002B Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Series 2002B Bonds. Any moneys which the Tender Agent shall segregate and hold in trust for the payment of the Purchase Price of any Bond remaining unclaimed for one year after the date of purchase shall, upon the Lessee's written request to the Tender Agent, be paid to the Lessee. After the payment of such unclaimed moneys to the Lessee, the former Bondholder of such Series 2002B Bonds shall look only to the Lessee for the payment thereof, and the Lessee shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys. If a book entry system is in effect with respect to the Series 2002B Bonds, if the Series 2002B Bonds are subject to mandatory tender in accordance with the terms of this Second Series Supplemental Indenture, then the Tender Agent shall transfer beneficial ownership of the Series 2002B Bonds on the records of the Depository as provided in Section 5.05 of this Second Series Supplemental Indenture, regardless of whether the owners of the beneficial interests subject to mandatory tender transfer their beneficial ownership of the Series 2002B Bonds to the Tender Agent on the records of the Depository, and moneys for the purchase of the beneficial interests subject to mandatory tender shall be transferred by the Tender Agent to the Depository for transfer to the owners of such beneficial interests subject to mandatory purchase.

SECTION 5.04. Remarketing of Series 2002B Bonds; Notice of Interest Rates. (a) Upon notice of the tender for purchase of Series 2002B Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Series 2002B Bonds, any such sale to be made on the date of such purchase at a price of par plus accrued interest, if any, in accordance with Section 2.05 at the rate determined in accordance with Section 2.04. The Remarketing Agent agrees that while a Credit Facility is in effect it shall not, to its knowledge, sell any Series 2002B Bonds purchased pursuant to Section 2.05 to the Lessee or the Agency, or to any person who controls, is controlled by, or is under common control with, the Agency or the Lessee. In addition, the Remarketing Agent shall offer for sale and use its best efforts to sell any Series 2002B Bonds that are Bank Bonds. The Remarketing Agent has no duty to remarket the Series

2002B Bonds if an Event of Default with respect to the Series 2002B Bonds under the Indenture has occurred and is continuing.

(b) The Remarketing Agent shall determine the rate of interest to be borne by the Series 2002B Bonds during each Interest Rate Period and by each Bond during each Bond Interest Term for such Bond and the Bond Interest Terms for each Bond during each Bond Interest Term Rate Period as provided in Section 2.04 hereof and shall furnish to the Lessee, the Trustee and the Bond Registrar on the Business Day of determination each rate of interest and Bond Interest Term so determined by telephone or telecopy, promptly confirmed in writing or shall make such information available to the Lessee, the Trustee and the Bond Registrar by readily accessible electronic means.

(c) The Remarketing Agent shall give the Tender Agent written or telephonic notice (promptly confirmed by telex or telecopier) not later than (i) 4:00 p.m., New York City time, on the Business Day preceding the Business Day on which the Series 2002B Bonds are to be purchased pursuant to Section 2.05(a)(ii), (c), (d) or (e) or (ii) 12:00 noon, New York City time, on the Business Day on which Series 2002B Bonds are to be purchased pursuant to Section 2.05(a)(i) or (b) of the aggregate principal amount of Series 2002B Bonds subject to purchase which have not been remarketed. By 12:30 P.M., New York City time, on the Purchase Date (as defined in the Tender Agreement), the Remarketing Agent shall deliver to the Tender Agent the Purchase Price (as defined in the Tender Agreement) of the Series 2002B Bonds subject to purchase and remarketed by the Tender Agent. The Remarketing Agent shall give telephonic or telegraphic notice, promptly confirmed by a written notice, to the Lessee, the Trustee, the Bond Registrar and the Tender Agent on each date on which Series 2002B Bonds shall have been purchased pursuant to Section 5.03(b), specifying the principal amount of Series 2002B Bonds, if any, sold by it pursuant to Section 5.04(a) along with a list of such purchasers showing the names and denominations in which such Series 2002B Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

SECTION 5.05. Delivery of Series 2002B Bonds. (a) Series 2002B Bonds purchased with moneys described in clause (i) of Section 5.03(b) shall be made available by the Bond Registrar to the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Tender Agreement.

(b) Series 2002B Bonds purchased with moneys described in clause (ii) of Section 5.03(b) shall be held by the Tender Agent as Bank Bonds pursuant to the Tender Agreement.

(c) Series 2002B Bonds purchased with moneys described in clause (iii) of Section 5.03(b) shall be held by the Tender Agent for the account of the Lessee.

(d) Series 2002B Bonds delivered as provided in this Section 5.05 shall be registered in the manner directed by the recipient thereof or in the Tender Agreement.

SECTION 5.06. Delivery of Proceeds of Sale. The proceeds of the sale by the Remarketing Agent of any Series 2002B Bonds delivered to it by, or held by it for the account of, the Trustee or the Lessee, or delivered to it by any other Bondholder, shall be turned over to the Tender Agent as provided in the Tender Agreement.

SECTION 5.07. Draws on Credit Facility to Pay Purchase Price of Series 2002B Bonds. The Trustee, on each day on which Series 2002B Bonds are required to be purchased pursuant to Section 2.05, is directed, in accordance with the provisions of the Tender Agreement, to make drawings under a Credit Facility relating thereto by such times and in such manner as shall be required to receive in immediately available funds on such date amounts sufficient to pay the Purchase Price plus accrued interest, if any, of Series 2002B Bonds then payable from such Credit Facility tendered for purchase or required to be purchased pursuant to the provisions of this Second Series Supplemental Indenture that have not been remarketed by the Remarketing Agent, and to deposit the proceeds of such drawings or cause such proceeds to be deposited in the Series 2002B Credit Facility Bond Purchase Account of the Series 2002B Bond Purchase Fund pending application of such moneys to the payment of the Purchase Price of such Series 2002B Bonds. In determining the amount of any such Purchase Price then due, the Trustee shall not take into consideration any Purchase Price due on Series 2002B Bonds held by the Agency or the Lessee or any affiliate of either of them, and no drawings under the Credit Facility shall be made or be used to pay the Purchase Price of any Bank Bonds or Series 2002B Bonds held by the Agency or the Lessee or any affiliate of either of them.

## ARTICLE VI.

## MISCELLANEOUS

SECTION 6.01. Partial Invalidity. In case any one or more of the provisions of this Second Series Supplemental Indenture or of the Series 2002B Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture, the Second Series Supplemental Indenture or of the Series 2002B Bonds, but the Indenture, the Second Series Supplemental Indenture and the Series 2002B Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement of the Agency contained in the Series 2002B Bonds or in the Indenture shall for any reason be held to be in violation of the law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

SECTION 6.02. Counterparts. This Second Series Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.03. Laws Governing Second Series Supplemental Indenture. THE EFFECT AND MEANING OF THIS SECOND SERIES SUPPLEMENTAL INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 6.04. No Pecuniary Liability of Agency Members. No provision, covenant or agreement contained in this Second Series Supplemental Indenture or in the Series 2002B Bonds or any obligations herein or therein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this Second Series Supplemental Indenture, the Agency has not obligated itself except with

respect to the Facility and the application of the revenues, income and all other property therefrom, as hereinabove provided.

All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal, Purchase Price or Redemption Price, if any, of and interest on the Series 2002B Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing the Series 2002B Bonds.

SECTION 6.05. Indenture to Remain In Effect. Save and except as supplemented by this Second Series Supplemental Indenture, the Indenture shall remain in full force and effect.

SECTION 6.06. Date for Reference Purposes Only. The date of this Second Series Supplemental Indenture shall be for reference purposes only and shall not be construed to imply that this Second Series Supplemental Indenture was executed on the date first above written. This Second Series Supplemental Indenture was executed and delivered on July 31, 2002.

IN WITNESS WHEREOF, New York City Industrial Development Agency, New York, New York, has caused this Second Series Supplemental Indenture of Trust to be executed in its name and behalf by its Chairperson, General Counsel, Vice Chairperson or Executive Director or Deputy Executive Director and to evidence its acceptance of the trust hereby created, The Bank of New York has caused this Second Series Supplemental Indenture of Trust to be signed in its name and behalf by a duly authorized officer, all as of the day and year first above written.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

THE BANK OF NEW YORK, as Trustee

By: _____
Beverly Gardner
Assistant Treasurer

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 29th day of July, in the year two thousand and two, before me the undersigned personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Judith A. Capolongo
~~Notary Public~~

JUDITH A. CAPOLONGO
Commissioner of Deeds, City of New York
No. 5-1425
Cert. Filed in New York County
Commission Expires October 23, 2003

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the 30th day of July, in the year two thousand and two, before me, the undersigned, personally appeared Beverly Gardner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

GARY R. BASSO
NOTARY PUBLIC, State of New York
No. 4880911
Qualified in ~~Westchester~~ Putnam County
Commission Expires Dec. 29, 20 02

# APPENDIX A

## SECOND SERIES SUPPLEMENTAL INDENTURE

## DEFINITIONS

Bank Bonds shall mean any Series 2002B Bonds purchased with moneys described in Section 5.03(b)(ii) of the Second Series Supplemental Indenture until such Series 2002B Bonds are remarketed, as provided in the Tender Agreement.

BMA Index shall mean the rate calculated weekly, and released each Wednesday, on the basis of an index based upon the weekly interest reset rates of tax-exempt variable rate issues included in a data base maintained by Municipal Market Data, a division of Thomson Financial Services, which meet specific criteria established by the Bond Market Association, and which is in effect on a particular day.

Bond Interest Term shall mean, with respect to any Series 2002B Bond, each period established in accordance with Section 2.04(c) of the Second Series Supplemental Indenture during which such Series 2002B Bond shall bear interest at a Bond Interest Term Rate.

Bond Interest Term Rate shall mean, with respect to each Series 2002B Bond, a term, non-variable interest rate on such Series 2002B Bond established periodically in accordance with Section 2.04(c) of the Second Series Supplemental Indenture.

Bond Interest Term Rate Period shall mean each period, consisting of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

Daily Interest Rate shall mean a variable interest rate on the Series 2002B Bonds established in accordance with Section 2.04(d) of the Second Series Supplemental Indenture.

Daily Interest Rate Period shall mean each period during which a Daily Interest Rate is in effect.

Interest Accrual Date shall mean (i) with respect to any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during that Weekly Interest Rate Period, (iii) with respect to any Long-Term Interest Rate Period, the first day thereof (which in the case of the first Long-Term Interest Rate Period, is July 1, 2002) and, thereafter, each February 1 and August 1 (in the case of the first Long-Term Interest Rate Period, commencing February 1, 2003), and (iv) with respect to each Bond Interest Term within a Bond Interest Term Rate Period, the first day thereof.

Interest Payment Date shall mean with respect to the Series 2002B Bonds (i) with respect to any Daily Interest Rate Period, the first Business Day of each calendar month, (ii) with respect to any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if such first Wednesday shall not be a Business Day, the next succeeding Business Day, (iii) with respect to any Long-Term Interest Rate Period, each February 1 and August 1, or, if any such February 1 or August 1 shall not be a Business Day, the next succeeding Business Day without the accrual of additional interest, (iv) with respect to any Bond Interest Term Rate Period, the day next succeeding the last day of each Bond Interest Term within such Bond Interest Term Rate Period, and (v) with respect to each Interest Rate Period, the day next succeeding the last day thereof (or the day next succeeding the day that would have been the last day of such Interest Rate Period had one of the events specified in Sections 2.04(b)(ii)(D) or 2.04(h) of the Second Series Supplemental Indenture not occurred); *provided* that notwithstanding anything herein to the contrary, the first Interest Payment Date for the Series 2002B Bonds shall be February 1, 2003.

Long-Term Interest Rate shall mean a term, non-variable interest rate on the Series 2002B Bonds established in accordance with Section 2.04(b) of the Second Series Supplemental Indenture.

Long-Term Interest Rate Period shall mean each period during which a Long-Term Interest Rate is in effect.

Maximum Maturity Date shall mean December 1, 2036.

Maximum Rate shall mean the lesser of (i) 25% per annum (ii) with respect to Series 2002B Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof, or (iii) the maximum rate permitted by law.

Purchase Price shall mean with respect to any tender of Series 2002B Bonds pursuant to paragraphs (a) - (f) of Section 2.05 of the Second Series Supplemental Indenture, the amount specified as the "Purchase Price" in the applicable paragraph of such Section 2.05.

Remarketing Agent shall mean the initial and any successor remarketing agent appointed in accordance with Section 5.01(a) of the Second Series Supplemental Indenture.

Second Series Supplemental Indenture shall mean the Second Series Supplemental Indenture of Trust, dated as of July 1, 2002, between the Agency and the Trustee authorizing the issuance of the Series 2002B Bonds.

Series 2002B Bond Purchase Fund shall mean the fund so designated which is established with the Tender Agent pursuant to the Tender Agreement and Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Bonds shall mean the $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency issued, executed, authenticated and delivered under the Indenture.

Series 2002B Construction Account shall mean the Series 2002B Construction Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture

Series 2002B Credit Facility Bond Purchase Account shall mean the account bearing such name which is created in the Series 2002B Bond Purchase Fund pursuant to Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Debt Service Reserve Account shall mean the Series 2002B Debt Service Reserve Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Debt Service Reserve Account Requirement shall mean with respect to the Series 2002B Bonds an amount equal to the lesser of (i) the greatest amount required in the then current or any future bond year to pay the sum of interest on such Outstanding Series 2002B Bonds payable during such bond year, and the principal and sinking fund installments, if any, on such Outstanding Series 2002B Bonds payable on August 1 of such bond year, excluding interest accruing on such Series 2002B Bonds from the dated date of such Series 2002B Bonds to the date of delivery thereof, (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of such Series 2002B Bonds, and (iii) 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due over the term of the Series 2002B Bonds.

Series 2002B Interest Account shall mean the Series 2002B Interest Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Lessee Payments Account shall mean the account bearing such name which is created in the Series 2002B Bond Purchase Fund pursuant to Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Principal Account shall mean the Series 2002B Principal Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Redemption Account shall mean the Series 2002B Redemption Account established pursuant to Section 4.01 of the Second Series Supplemental Indenture.

Series 2002B Remarketing Account shall mean the account bearing such name which is created in the Series 2002B Bond Purchase Fund pursuant to Section 5.01(b)(ii) of the Second Series Supplemental Indenture.

Series 2002B Remarketing Agreement shall mean any Series 2002B Remarketing Agreement entered into with respect to the Series 2002B Bonds.

Series 2002B Tender Agent shall mean any Tender Agent appointed with respect to the Series 2002B Bonds.

Series 2002B Tender Agreement shall mean any Tender Agreement entered into with respect to the Series 2002B Bonds.

Tender Agent shall mean the initial and any successor tender agent appointed in accordance with Section 5.01(b) of the Second Series Supplemental Indenture.

Weekly Interest Rate shall mean a variable interest rate on the Series 2002B Bonds established in accordance with Section 2.04(a) of the Second Series Supplemental Indenture.

Weekly Interest Rate Period shall mean each period during which a Weekly Interest Rate is in effect.

# GUARANTY

From

AMERICAN AIRLINES, INC.
as Guarantor

to

THE BANK OF NEW YORK
as Trustee

Dated as of July 1, 2002

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

# GUARANTY

This GUARANTY (this "Guaranty") made and entered into as of July 1, 2002 from AMERICAN AIRLINES, INC., a corporation duly organized and existing under the laws of the State of Delaware and having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, as guarantor (together with any successors or permitted assigns hereunder, the "Guarantor"), to THE BANK OF NEW YORK, a New York banking corporation (the "Trustee"). (Capitalized terms used but not defined herein shall have the meanings assigned to them in the Master Indenture of Trust referred to below.)

## W I T N E S S E T H:

WHEREAS, the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York (the "Agency"), intends to issue, in multiple series, its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) in a principal amount not to exceed $2,300,000,000 (referred to herein as the "Bonds"), under and pursuant to a Master Trust Indenture, dated as of July 1, 2002 (the "Master Indenture"), as supplemented by Series Supplemental Indentures of Trust (such Master Indenture of Trust, as supplemented by Series Supplemental Indentures of Trust, and as otherwise supplemented, being referred to herein as the "Indenture"), each between the Agency and the Trustee; and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be used to finance the cost of the acquisition, construction, equipping, design and improvement of certain airport facilities to be subleased to the Guarantor at the John F. Kennedy International Airport and to pay certain costs of issuance of the Bonds and to fund certain necessary reserves; and

WHEREAS, the Guarantor desires that the Agency issue the Bonds and apply the proceeds as aforesaid and is willing to enter into this Guaranty in order to enhance the marketability of Bonds and thereby achieve interest cost and other savings for the Guarantor, and in order to provide an inducement to the purchase of such Bonds by all who shall at any time become the registered owners of such Bonds (collectively, the "Bondholders");

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor does hereby represent, warrant, covenant and agree with the Trustee for the benefit of the Bondholders as follows:

## ARTICLE I

## REPRESENTATIONS AND WARRANTIES OF GUARANTOR

Section 1.1. Guarantor Representations and Warranties. The Guarantor does hereby represent and warrant that it is a corporation duly incorporated and in good standing under the laws of the State of Delaware, has the power to enter into and perform this Guaranty and to own its corporate property and assets, has duly authorized the execution and delivery of this Guaranty by proper corporate action and neither this Guaranty, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate in any material respect any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Guarantor is a party or by which it or its property is bound, or in any material respect be in conflict with or result in a breach of or constitute a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation, bylaws or any requirement of law. This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general equitable principles.

## ARTICLE II

## COVENANTS AND AGREEMENTS

Section 2.1. Obligations Guaranteed.

(a) The Guarantor hereby unconditionally guarantees to the Trustee for the benefit of the Bondholders (1) the full and prompt payment of the principal and purchase price of and premium, if any, on the Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise and (2) 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. All payments by the Guarantor hereunder shall be paid in lawful money of the United States of America. Each and every default in payment of the principal or purchase price of, premium, if any, or interest on any Bond, or interest on overdue interest or premium thereon, shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

(b) The Guarantor further agrees that this Guaranty constitutes an absolute, unconditional, present and continuing guaranty of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Bondholders to (1) the Trustee's or any Bondholder's rights against any other party, (2) any other right or

remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise, or (3) any security held by or for the benefit of the Bondholders for payment of the principal or purchase price of, premium, if any, or interest on, the Bonds, or interest on overdue interest or premium on the Bonds.

Section 2.2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty shall be absolute, unconditional and immediately enforceable when each payment is due and shall remain in full force and effect until this Guaranty shall terminate in accordance with the provisions of Section 4.1 hereof, and (with respect to paragraphs (c), (d) and (k) below, subject to Section 2.6 of this Guaranty) such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Guarantor:

(a) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Agency contained in the Indenture, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(b) the failure to give notice to the Guarantor of the occurrence of any default or an "Event of Default" under the terms and provisions of any of this Guaranty, the AMR Guaranty, the PA Lease, the City-American Lease, the Leasehold Mortgage, the New Premises Lease, or any Security Document (collectively, the "Transaction Documents") or the termination or expiration of any of the foregoing;

(c) the transfer, assignment or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the Agency or the Guarantor in the Project Premises or any failure of title with respect to the Agency's or the Guarantor's interest in the Project Premises or the invalidity, unenforceability or termination of the PA Lease, the City-American Lease or the IDA Lease Agreement;

(d) the assignment or purported assignment of any of the obligations, covenants and agreements contained in this Guaranty;

(e) the waiver, compromise, settlement, release or termination of the Agency's obligations, covenants or agreements contained in the IDA Lease Agreement, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(f) the waiver, compromise, settlement, release or termination of any of the obligations, covenants or agreements of the Guarantor under the IDA Lease Agreement, or of the payment, performance or observance thereof;

(g) the extension of the time for payment of any principal or purchase price of, premium, if any, or interest on, any Bond, owing or payable on such Bond or of the time for performance of any obligations, covenants or agreements under or arising out of the Indenture or the IDA Lease Agreement or the extension or the renewal of any thereof;

(h) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or the IDA Lease Agreement;

(i) the taking or the omission to take any of the actions referred to in this Guaranty, the Indenture, the Bonds or the IDA Lease Agreement;

(j) any failure, omission or delay on the part of the Agency or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Trustee or any other person in any of the Transaction Documents, any election of remedies on the part of the Agency or the Trustee under any of the Transaction Documents, or any other act or acts on the part of the Agency, the Trustee or any of the Bondholders;

(k) the voluntary or involuntary liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Guarantor, the Agency or any or all of the assets of any of them, or any allegation or contest of the validity of any of the Transaction Documents or the Bonds or the disaffirmance of any of the Transaction Documents or the Bonds, in any such proceeding; it being specifically understood, consented and agreed to that this Guaranty shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such proceedings had not been instituted, and it is the intent and purpose of this Guaranty that the Guarantor shall and does hereby waive all rights and benefits which might accrue to the Guarantor by reason of any such proceedings;

(l) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty;

(m) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty;

(n) the damage to, or condemnation, destruction, redelivery, repossession or surrender of, all or a portion of the Project Premises or the abandonment, non-completion or curtailment of the Project Premises, or the release, substitution or replacement of any property comprising all or a portion of the Project Premises;

(o) the release, substitution or replacement of any security pledged under the Indenture;

(p) any determination of the illegality, irregularity, invalidity or unenforceability of, or any defect in, any of the Transaction Documents or the Bonds or any of the provisions thereof;

(q) any present or future law or order of any government (*de jure* or *de facto*) or of any agency thereof, purporting to reduce, amend or otherwise affect the Bonds or to vary any terms of payment thereof;

(r) any claim of immunity on behalf of the Agency or any other obligor on the Bonds or with respect to any property of the Agency or any other obligor on the Bonds;

(s) any failure of the Agency or the Trustee to mitigate damages resulting from any default by the Guarantor under the IDA Lease Agreement, by the Guarantor under this Guaranty or by the Agency under the Indenture;

(t) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor; or

(u) any other occurrence whatsoever, whether similar or dissimilar to the foregoing.

Section 2.3. No Waiver or Set-Off. No act of commission or omission of any kind or at any time on the part of the Agency or the Trustee, or their successors and assigns, in respect of any matter whatsoever shall in any way impair the rights of the Trustee to enforce any right, power or benefit under this Guaranty, and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations hereunder), which the Guarantor has or may have against the Agency or the Trustee or any assignee or successor thereof shall be available hereunder to the Guarantor.

Section 2.4. Events of Default; Application of Moneys Received by Trustee.

(a) An "Event of Default" under this Guaranty shall exist if any of the following occurs and is continuing:

(1) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(1) hereof and such default continues for five Business Days from the date such payment was due;

(2) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(2) hereof and such default continues for five Business Days from the date such payment was due;

(3) the Guarantor fails to observe and perform any covenant (other than such referred to in Section 2.1(a)(1) and (2) above) of this Guaranty and such failure continues for more than sixty (60) days after written notice of such failure has been given to the Guarantor by the Trustee;

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

(5) the dissolution or liquidation of the Guarantor or the commencement by the 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 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 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 Guarantor of all or substantially all its assets for the benefit of creditors or the entry by the Guarantor into an agreement of composition with creditors; or the taking of any action by the Guarantor in furtherance of the foregoing. The term "dissolution or liquidation of the Guarantor" as used in this subsection shall not be construed to include cessation of the corporate existence of the Guarantor resulting from either a merger or consolidation of the Guarantor into or with another entity or dissolution or liquidation of the 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 Guarantor contained in Section 2.6 hereof.

(b) Upon an Event of Default hereunder, the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty without resorting to any security held by the Agency or the Trustee under the Indenture.

(c) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Guaranty shall, after payment of accrued fees and expenses of the Trustee and the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund created and established under Section 5.01 of the Indenture for the benefit of the Bondholders and such moneys shall be applied in accordance with the Indenture.

(d) The Trustee shall be under no obligation to institute any suit or to take any remedial action under this Guaranty, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under this Guaranty, until it shall be indemnified to its satisfaction by the Bondholders of such Applicable Series (or any other party satisfactory to the Trustee) against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its negligence or willful misconduct.

Section 2.5. Waiver of Notice; Expenses. The Guarantor hereby expressly waives notice from the Trustee or the Bondholders of their acceptance and reliance on this Guaranty. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees and expenses, that may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty or protecting the rights of the Trustee or the Bondholders following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. Assignment; Dissolution or Merger of the Guarantor.

(a) The Guarantor may not assign its obligations hereunder; provided that the Guarantor may and shall assign this Guaranty to any Person to whom it assigns the PA Lease in its entirety (by operation of law or otherwise) as provided in Section 19 of the PA Lease or to whom it assigns the City-American Lease in its entirety pursuant to the City-American Lease. Except as provided in paragraph (b) below, no assignment pursuant to the preceding sentence shall release the Guarantor from any of its obligations hereunder unless 100% of the Holders of the Outstanding Bonds shall have consented to such release.

(b) Subject to the requirement that the Guarantor hereunder shall at all times be the Person that is the "Lessee" under the PA Lease and the City-American Lease, the Guarantor agrees that during the term hereof 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 Agency and the Trustee, all of the obligations of the Guarantor herein (unless the Guarantor is the survivor, in which case no such written assumption shall 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 the Guarantor is merged or to which such disposition is made shall succeed to, and be substituted for, and shall exercise every right and power of, the Guarantor under this Guaranty with the same effect as if such successor entity had been named as the Guarantor herein. Upon any dissolution or disposition in accordance with the next

preceding sentence where the Guarantor is not the surviving entity, the Guarantor shall automatically be released from all of its obligations hereunder.

Section 2.7. Benefit and Enforcement. This Guaranty shall not be deemed to create any right in, or to be in whole or in part for the benefit of, any person other than the Trustee, the Guarantor, the Bondholders and their permitted successors and assigns. This Guaranty is entered into by the Guarantor for the benefit of the Trustee, the registered owners from time to time of the Bonds and any successor Trustee or Trustees and may be enforced by or on behalf of the Bondholders only by the Trustee by such actions, suits and proceedings, at law or in equity, as it may be advised shall be necessary or expedient to preserve and protect its interest and the interests of the Bondholders hereunder. However, the Trustee shall proceed to enforce this Guaranty upon written request of the registered owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified for its expenses and any liability to be incurred by the Trustee other than liability arising from its willful misconduct or negligence in connection with any action so taken.

## ARTICLE III

## NOTICES

Section 3.1. Notices. All notices, certificates or other communications to the Guarantor hereunder shall be sufficiently given and shall be deemed given when delivered or when mailed by registered or certified mail, postage prepaid, to American Airlines, Inc., MD 5566, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Treasurer, with a copy to American Airlines, Inc., MD 5675, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Corporate Secretary.

## ARTICLE IV

## MISCELLANEOUS

Section 4.1. Effective Date; Termination. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the date of the initial delivery of and payment for the Bonds. This Guaranty shall terminate on such date as the Indenture is discharged and satisfied in accordance with Article X of the Indenture and shall be returned to the Guarantor pursuant to Section 10.01(b) of the Indenture.

Section 4.2. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but

any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty, it shall not be necessary to give any notice. In the event any provision contained in this Guaranty should be breached, and thereafter duly waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties to this Guaranty.

Section 4.3. Amendments. This Guaranty may not be amended or modified without the consent of the Bondholders, except (i) as may be required or permitted by the provisions of this Guaranty or the Indenture; (ii) to cure any ambiguity, formal defect, omission or inconsistent provision; (iii) to add additional rights acquired in accordance with the provisions of this Guaranty; or (iv) to make any other change that does not materially adversely affect such Bondholders' interests.

Section 4.4. Entire Agreement; Counterparts. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 4.5. Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections contained in this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty, or any part thereof.

Section 4.6. Governing Law. This Guaranty shall be governed by and construed and interpreted under the laws of the State of Texas applicable to contracts made and performed within such state. Nothing contained in this Section 4.6 shall affect the right of any party to commence any action, suit or proceeding in connection with any controversy or claim arising out of or relating to this Guaranty or any alleged breach hereof in any court of competent jurisdiction.

IN WITNESS WHEREOF, the Guarantor and the Trustee have caused this Guaranty to be executed in their respective corporate names, as of the date first above written.

AMERICAN AIRLINES, INC.

By: Beverly Jeweet

Title: Vice President - Corporate Development & Treasurer

THE BANK OF NEW YORK
as Trustee

By: Beverly Gardner

Title: Assistant Treasurer

GUARANTY

From

AMR CORPORATION
as Guarantor

to

THE BANK OF NEW YORK
as Trustee

Dated as of July1, 2002

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

# GUARANTY

This GUARANTY (this "Guaranty") made and entered into as of July 1, 2002 from AMR CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware and having its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, as guarantor (together with any successors or permitted assigns hereunder, the "Guarantor"), to THE BANK OF NEW YORK, a New York banking corporation (the "Trustee"). (Capitalized terms used but not defined herein shall have the meanings assigned to them in the Master Indenture of Trust referred to below.)

## WITNESSETH:

WHEREAS, the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York (the "Agency"), intends to issue, in multiple series, its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) in a principal amount not to exceed $2,300,000,000 (referred to herein as the "Bonds"), under and pursuant to a Master Trust Indenture, dated as of July 1, 2002 (the "Master Indenture"), as supplemented by Series Supplemental Indentures of Trust (such Master Indenture of Trust, as supplemented by Series Supplemental Indentures of Trust, and as otherwise supplemented, being referred to herein as the "Indenture"), each between the Agency and the Trustee; and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be used to finance the cost of the acquisition, construction, equipping, design and improvement of certain airport facilities to be subleased to American Airlines, Inc., a Delaware corporation and a wholly-owned subsidiary of the Guarantor ("American"), at the John F. Kennedy International Airport and to pay certain costs of issuance of the Bonds and to fund certain necessary reserves; and

WHEREAS, the Guarantor desires that the Agency issue the Bonds and apply the proceeds as aforesaid and is willing to enter into this Guaranty in order to enhance the marketability of Bonds and thereby achieve interest cost and other savings for American, and in order to provide an inducement to the purchase of such Bonds by all who shall at any time become the registered owners of such Bonds (collectively, the "Bondholders");

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor does hereby represent, warrant, covenant and agree with the Trustee for the benefit of the Bondholders as follows:

## ARTICLE I

## REPRESENTATIONS AND WARRANTIES OF GUARANTOR

Section 1.1. Guarantor Representations and Warranties. The Guarantor does hereby represent and warrant that it is a corporation duly incorporated and in good standing under the laws of the State of Delaware, has the power to enter into and perform this Guaranty and to own its corporate property and assets, has duly authorized the execution and delivery of this Guaranty by proper corporate action and neither this Guaranty, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate in any material respect any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Guarantor is a party or by which it or its property is bound, or in any material respect be in conflict with or result in a breach of or constitute a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation, bylaws or any requirement of law. This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general equitable principles.

## ARTICLE II

## COVENANTS AND AGREEMENTS

Section 2.1. Obligations Guaranteed.

(a) The Guarantor hereby unconditionally guarantees to the Trustee for the benefit of the Bondholders (1) the full and prompt payment of the principal and purchase price of and premium, if any, on the Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise and (2) 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. All payments by the Guarantor hereunder shall be paid in lawful money of the United States of America. Each and every default in payment of the principal or purchase price of, premium, if any, or interest on any Bond, or interest on overdue interest or premium thereon, shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

(b) The Guarantor further agrees that this Guaranty constitutes an absolute, unconditional, present and continuing guaranty of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Bondholders to (1) the Trustee's or any Bondholder's rights against any other party, (2) any other right or

remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise, or (3) any security held by or for the benefit of the Bondholders for payment of the principal or purchase price of, premium, if any, or interest on, the Bonds, or interest on overdue interest or premium on the Bonds.

Section 2.2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty shall be absolute, unconditional and immediately enforceable when each payment is due and shall remain in full force and effect until this Guaranty shall terminate in accordance with the provisions of Section 4.1 hereof, and (with respect to paragraphs (d) and (k) below, subject to Section 2.6 of this Guaranty) such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Guarantor:

(a) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Agency contained in the Indenture, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(b) the failure to give notice to the Guarantor of the occurrence of any default or an Event of Default under the terms and provisions of any of this Guaranty, the American Guaranty, the PA Lease, the City-American Lease, the Leasehold Mortgage, the New Premises Lease or any Security Document (collectively, the "Transaction Documents") or the termination or expiration of any of the foregoing;

(c) the transfer, assignment or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the Agency or American in the Project Premises or any failure of title with respect to the Agency's or American's interest in the Project Premises or the invalidity, unenforceability or termination of the PA Lease, the City-American Lease or the IDA Lease Agreement;

(d) the assignment or purported assignment of any of the obligations, covenants and agreements contained in this Guaranty;

(e) the waiver, compromise, settlement, release or termination of the Agency's obligations, covenants or agreements contained in the IDA Lease Agreement, or of the payment, performance or observance thereof, or the impossibility of performance or unenforceability of any of such obligations, covenants or agreements;

(f) the waiver, compromise, settlement, release or termination of any of the obligations, covenants or agreements of American under the IDA Lease Agreement, or of the payment, performance or observance thereof;

(g) the extension of the time for payment of any principal or purchase price of, premium, if any, or interest on, any Bond, owing or payable on such Bond or of the time for performance of any obligations, covenants or agreements under or arising out of the Indenture or the IDA Lease Agreement or the extension or the renewal of any thereof;

(h) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or the IDA Lease Agreement;

(i) the taking or the omission to take any of the actions referred to in this Guaranty, the Indenture, the Bonds or the IDA Lease Agreement;

(j) any failure, omission or delay on the part of the Agency or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Trustee or any other person in any of the Transaction Documents, any election of remedies on the part of the Agency or the Trustee under any of the Transaction Documents, whether or not such election impairs or might impair the subrogation rights of the Guarantor against American or any other act or acts on the part of the Agency, the Trustee or any of the Bondholders;

(k) the voluntary or involuntary liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting American, the Guarantor, the Agency or any or all of the assets of any of them, or any allegation or contest of the validity of any of the Transaction Documents or the Bonds or the disaffirmance of any of the Transaction Documents or the Bonds, in any such proceeding; it being specifically understood, consented and agreed to that this Guaranty shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such proceedings had not been instituted, and it is the intent and purpose of this Guaranty that the Guarantor shall and does hereby waive all rights and benefits which might accrue to the Guarantor by reason of any such proceedings;

(l) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty;

(m) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty;

(n) the damage to, or condemnation, destruction, redelivery, repossession or surrender of, all or a portion of the Project Premises or the abandonment, non-completion

or curtailment of the Project Premises, or the release, substitution or replacement of any property comprising all or a portion of the Project Premises;

(o) the release, substitution or replacement of any security pledged under the Indenture;

(p) any determination of the illegality, irregularity, invalidity or unenforceability of, or any defect in, any of the Transaction Documents or the Bonds or any of the provisions thereof;

(q) any present or future law or order of any government (*de jure* or *de facto*) or of any agency thereof, purporting to reduce, amend or otherwise affect the Bonds or to vary any terms of payment thereof;

(r) any claim of immunity on behalf of the Agency or any other obligor on the Bonds or with respect to any property of the Agency or any other obligor on the Bonds;

(s) any failure of the Agency or the Trustee to mitigate damages resulting from any default by American under the IDA Lease Agreement, by the Guarantor under this Guaranty or by the Agency under the Indenture;

(t) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor; or

(u) any other occurrence whatsoever, whether similar or dissimilar to the foregoing.

Section 2.3. No Waiver or Set-Off. No act of commission or omission of any kind or at any time on the part of the Agency or the Trustee, or their successors and assigns, in respect of any matter whatsoever shall in any way impair the rights of the Trustee to enforce any right, power or benefit under this Guaranty, and no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations hereunder), which the Guarantor has or may have against the Agency or the Trustee or any assignee or successor thereof shall be available hereunder to the Guarantor.

Section 2.4. Events of Default; Application of Moneys Received by Trustee.

(a) An "Event of Default" under this Guaranty shall exist if any of the following occurs and is continuing:

(1) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(1) hereof and such default continues for five Business Days from the date such payment was due;

(2) the Guarantor defaults in any guarantee referred to in Section 2.1(a)(2) hereof and such default continues for five Business Days from the date such payment was due;

(3) the Guarantor fails to observe and perform any covenant (other than such referred to in Section 2.1(a)(1) and (2) above) of this Guaranty and such failure continues for more than sixty (60) days after written notice of such failure has been given to the Guarantor by the Trustee;

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

(5) the dissolution or liquidation of the Guarantor or the commencement by the 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 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 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 Guarantor of all or substantially all its assets for the benefit of creditors or the entry by the Guarantor into an agreement of composition with creditors; or the taking of any action by the Guarantor in furtherance of the foregoing. The term "dissolution or liquidation of the Guarantor" as used in this subsection shall not be construed to include cessation of the corporate existence of the Guarantor resulting from either a merger or consolidation of the Guarantor into or with another entity or dissolution or liquidation of the 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 Guarantor contained in Section 2.6 hereof.

(b) Upon an Event of Default hereunder, the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty without resorting to any security held by the Agency or the Trustee under the Indenture.

(c) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Guaranty shall, after payment of accrued fees and expenses of the Trustee and the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund created and established under Section 5.01 of the Indenture for the benefit of the Bondholders and such moneys shall be applied in accordance with the Indenture.

(d) The Trustee shall be under no obligation to institute any suit or to take any remedial action under this Guaranty, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under this Guaranty, until it shall be indemnified to its satisfaction by the Bondholders of such Applicable Series (or any other party satisfactory to the Trustee) against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its negligence or willful misconduct.

Section 2.5. Waiver of Notice; Expenses. The Guarantor hereby expressly waives notice from the Trustee or the Bondholders of their acceptance and reliance on this Guaranty. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees and expenses, that may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty or protecting the rights of the Trustee or the Bondholders following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. Assignment; Dissolution or Merger of the Guarantor.

(a) The Guarantor may assign this Guaranty to any Person. Except as provided in paragraph (b) below, no assignment pursuant to the preceding sentence shall release the Guarantor from any of its obligations hereunder unless 100% of the Holders of the Outstanding Bonds shall have consented to such release.

(b) The Guarantor agrees that during the term hereof 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 Agency and the Trustee, all of the obligations of the Guarantor herein (unless the Guarantor is the survivor, in which case no such written assumption shall 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 the Guarantor is merged or to which such disposition is made shall succeed to, and be substituted for, and shall exercise every right and power of, the Guarantor under this Guaranty with the same effect as if such successor entity had been named as the Guarantor herein. Upon any dissolution or disposition in accordance with the next preceding sentence where the Guarantor is not the surviving entity, the Guarantor shall automatically be released from all of its obligations hereunder.

Section 2.7. Benefit and Enforcement. This Guaranty shall not be deemed to create any right in, or to be in whole or in part for the benefit of, any person other than the Trustee, the Guarantor, the Bondholders, and their permitted successors and assigns. This

Guaranty is entered into by the Guarantor for the benefit of the Trustee, the registered owners from time to time of the Bonds and any successor Trustee or Trustees and may be enforced by or on behalf of the Bondholders only by the Trustee by such actions, suits and proceedings, at law or in equity, as it may be advised shall be necessary or expedient to preserve and protect its interest and the interests of the Bondholders hereunder. However, the Trustee shall proceed to enforce this Guaranty upon written request of the registered owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified for its expenses and any liability to be incurred by the Trustee other than liability arising from its willful misconduct or negligence in connection with any action so taken.

## ARTICLE III

## NOTICES

Section 3.1. Notices. All notices, certificates or other communications to the Guarantor hereunder shall be sufficiently given and shall be deemed given when delivered or when mailed by registered or certified mail, postage prepaid, to AMR Corporation, MD 5566, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Treasurer, with a copy to AMR Corporation, MD 5675, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616, Attention: Corporate Secretary.

## ARTICLE IV

## MISCELLANEOUS

Section 4.1. Effective Date; Termination. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the date of the initial delivery of and payment for the Bonds. This Guaranty shall terminate on such date as the Indenture is discharged and satisfied in accordance with Article X of the Indenture and shall be returned to the Guarantor pursuant to Section 10.01(b) of the Indenture.

Section 4.2. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty, it shall not be necessary to give any notice. In the event any provision contained in this Guaranty should be breached, and thereafter duly waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or

course of dealing, but solely by an instrument in writing duly executed by the parties to this Guaranty.

Section 4.3. Amendments. This Guaranty may not be amended or modified without the consent of the Bondholders, except (i) as may be required or permitted by the provisions of this Guaranty or the Indenture; (ii) to cure any ambiguity, formal defect, omission or inconsistent provision; (iii) to add additional rights acquired in accordance with the provisions of this Guaranty; or (iv) to make any other change that does not materially adversely affect such Bondholders' interests.

Section 4.4. Entire Agreement; Counterparts. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 4.5. Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections contained in this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty, or any part thereof.

Section 4.6. Governing Law. This Guaranty shall be governed by and construed and interpreted under the laws of the State of Texas applicable to contracts made and performed within such state. Nothing contained in this Section 4.6 shall affect the right of any party to commence any action, suit or proceeding in connection with any controversy or claim arising out of or relating to this Guaranty or any alleged breach hereof in any court of competent jurisdiction.

IN WITNESS WHEREOF, the Guarantor and the Trustee have caused this Guaranty to be executed in their respective corporate names, as of the date first above written.

AMR CORPORATION

By: _____
Title: Senior Vice President - Finance
and Chief Financial Officer

THE BANK OF NEW YORK
as Trustee

By: Beverly Gardner
Title: Assistant Treasurer

# LEASEHOLD MORTGAGE

# AND

# SECURITY AGREEMENT

dated as of _____, 200_

among

AMERICAN AIRLINES, INC.,
as the Mortgagor,

THE BANK OF NEW YORK,[1]
as the Leasehold Mortgagee

and

THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY,
as the Agency

[1] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

**LEASEHOLD MORTGAGE**
**AND SECURITY AGREEMENT**[2]

This LEASEHOLD MORTGAGE AND SECURITY AGREEMENT, dated _____, 200__ (as the same may be amended from to time, this "Leasehold Mortgage"), is made by AMERICAN AIRLINES, INC., a Delaware corporation (the "Mortgagor"), whose address for notice hereunder is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, Attention: Treasurer, in favor of THE BANK OF NEW YORK[3], whose address for notice hereunder is Corporate Trust Administration, 101 Barclay Street, Floor 21W, New York, New York 10286, not in its individual capacity but solely in its capacity as Leasehold Mortgagee under the Indenture (as such term is defined in Appendix A attached hereto and made a part hereof) (the "Leasehold Mortgagee"). The New York City Industrial Development Agency (the "Agency"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York, having its principal office at 110 William Street, New York, New York 10038, joins in this Leasehold Mortgage solely for the purposes set forth in Section 20.

RECITALS

A. The Mortgagor and The Port Authority of New York and New Jersey (the "Port Authority") entered into an agreement of lease bearing Port Authority agreement number AYB-085 dated as of August 1, 1976 (as (1) amended, supplemented and modified, (2) further amended, supplemented, modified and restated by the Amended and Restated Agreement of Lease (Lease No. AYB-085R) made as of December 22, 2000 between the Mortgagor and the Port Authority, (3) amended by a First Supplemental Agreement between the Mortgagor and the Port Authority dated as of _____, 2002 and (4) the same may hereafter be amended from time to time, the "Port Authority Lease"). The Port Authority Lease covers the Premises (as defined in the Port Authority Lease), which Premises include the land located in the County of Queens, New York described on Exhibit I attached hereto and made a part hereof (such Premises, as they may be increased or decreased from time to time pursuant to the Port Authority Lease, are hereinafter referred to as the "Leasehold Mortgage Premises").[4]

B. The Mortgagor has entered into the Company Sublease Agreement (the "Company Sublease"), dated as of _____, 2002 with the Agency, pursuant to which the Mortgagor has sub-subleased to the Agency (without right of possession or any other possessory rights or remedies) the Leased Facilities.

C. The Agency has entered into the IDA Lease Agreement (as amended, the "IDA Lease Agreement") dated as of _____, 2002 with the Mortgagor, pursuant to which the

[2] Changes may be made to the form of this document to the extent necessary to comply with legal requirements in effect at the time of recording and to ensure that the document is in recordable form.
[3] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.
[4] Exhibit I will be adjusted as necessary to reflect any changes to the Leasehold Mortgage Premises between _____, 2002 and the date of recording.

Agency has sub-sub-subleased to the Mortgagor (without right of possession or any other possessory rights or remedies) the Leased Facilities.

D. Under the IDA Lease Agreement, the Mortgagor is required to make rental payments in an amount sufficient to pay all principal, interest, premium, if any, and purchase price due under the Bonds. The Agency has pledged to the Leasehold Mortgagee under the Indenture certain amounts received by or payable to the Agency under the IDA Lease Agreement. In addition, the Mortgagor has guaranteed payment of principal and purchase price, if any, of, and interest and premium, if any, on, the Bonds pursuant to the Lessee Guaranty and AMR (the parent company of the Mortgagor) has guaranteed payment of principal and purchase price, if any, of, and interest and premium, if any, on, the Bonds pursuant to the AMR Guaranty (the Lessee Guaranty and the AMR Guaranty being collectively hereinafter referred to as the "Guaranty").

E. Section 92 of the Port Authority Lease ("Section 92") permits the Mortgagor, subject to the Consent to Subleases and Leasehold Mortgage Agreement dated as of _____, 2002 among the Port Authority, the Mortgagor, AMR Corporation, New York City Industrial Development Agency and the Leasehold Mortgagee (the "Consent Agreement") and the terms and conditions of Section 92, to grant to the Leasehold Mortgagee a leasehold mortgage on the Mortgagor's leasehold interest in the Leasehold Mortgage Premises created by the Port Authority Lease. The Leasehold Mortgagee is the Leasehold Mortgagee defined in Section 92 and the Consent Agreement.

F. The Port Authority has consented to this Leasehold Mortgage pursuant to the Consent Agreement, a copy of which is attached hereto as Appendix C.

G. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor wishes to grant this Leasehold Mortgage to secure the full and timely payment and performance of all of the Secured Obligations (as herein defined).

NOW, THEREFORE, in consideration of the matters set forth above and the sum of TEN DOLLARS ($10.00) and other good and valuable consideration paid to the Mortgagor, the receipt and sufficiency of which are hereby acknowledged, and for and in consideration of the debts and trusts hereinafter mentioned, the Mortgagor hereby agrees as follows:

1. Definitions. The capitalized terms referenced in this Leasehold Mortgage and not otherwise defined herein shall have the meanings assigned to them in Appendix A attached hereto and made a part hereof.

2. Interpretation of this Leasehold Mortgage and Exercise of Remedies Hereunder.

Notwithstanding anything contained in this Leasehold Mortgage to the contrary, it is hereby expressly understood and agreed that:

(a) the form of this Leasehold Mortgage is attached to the Consent Agreement as Exhibit G thereto. This Leasehold Mortgage is given in accordance with, and pursuant to, subject to, controlled by and dependent upon, the Port Authority Lease, including

without limitation Section 92, and the Consent Agreement. Section 92 and the Consent Agreement are intended by the Leasehold Mortgagee and the Mortgagor to govern in all respects the interpretation and the effectiveness and termination of this Leasehold Mortgage and the rights, remedies and obligations of the Leasehold Mortgagee and Mortgagor hereunder;

(b) this Leasehold Mortgage, including without limitation the lien created hereby, is granted solely pursuant to, and is in all events wholly subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92 (a copy of which Section 92 is attached hereto as Appendix B) and the Consent Agreement, and neither this Leasehold Mortgage, the lien created hereby, or any of the terms, covenants and conditions of this Leasehold Mortgage are intended, nor shall be construed, to expand in any way any rights or remedies of the Mortgagor or of the Leasehold Mortgagee under Section 92 or to grant any rights or remedies to the Leasehold Mortgagee, in law or in equity, which are not granted to the Leasehold Mortgagee pursuant to Section 92 or to impose any obligations or liabilities on the Port Authority;

(c) the rights of the Leasehold Mortgagee under this Leasehold Mortgage shall in all events be wholly subject to, controlled by and dependent upon Section 92 and the Consent Agreement;

(d) the exercise by the Leasehold Mortgagee of any rights and remedies under this Leasehold Mortgage must be done in full and strict compliance with the terms, covenants and conditions of Section 92 and the Consent Agreement;

(e) no waiver of performance by the Mortgagor or the Leasehold Mortgagee under this Mortgage shall be deemed to be a waiver by the Port Authority of any of its rights or remedies under the Port Authority Lease or the Consent Agreement or otherwise or of the Mortgagor's obligations under the Port Authority Lease or the Consent Agreement;

(f) any term, covenant or condition of this Leasehold Mortgage which is contrary to, or conflicts or is inconsistent with, Section 92 or the Consent Agreement shall be deemed void and of no effect;

(g) in the event of any conflict or inconsistency between any term, covenant or condition of this Leasehold Mortgage and Section 92, Section 92 shall prevail;

(h) the reference to Section 92 and the Consent Agreement in any other section of this Leasehold Mortgage shall not and shall not be deemed to have affected or limited the generality of the foregoing provisions of this Section 2; and

(i) any and all references to Section 92 and the Consent Agreement in any other section of this Leasehold Mortgage shall be construed consistently with the provisions of this Section 2.

3. Grant of Leasehold Mortgage. All conditions to the execution, delivery, effectiveness and recording of this Leasehold Mortgage pursuant to Section 92 and the Consent Agreement having been fulfilled, as security for the prompt and complete payment when due of principal and purchase price, if any, of, and interest and premium, if any, on, the Bonds pursuant to the Guaranty in an original principal amount equal to lesser of (i) the principal amount of the Bonds issued, determined without taking into account any prepayments, redemptions or refundings made pursuant to the Financing Documents and (ii) $2,300,000,000 (collectively, the "Secured Obligations"), the Mortgagor hereby bargains, grants, mortgages, grants a security interest in and pledges and assigns to the Leasehold Mortgagee, and any successors and substitutes permitted under Section 92, the Mortgagor's interest in all of the following (said interest being hereinafter referred to as the "Mortgaged Property"):

(a) the leasehold estate held by the Mortgagor as the Lessee under, and created by, the Port Authority Lease in the Leasehold Mortgage Premises (including all leasehold and tenancy rights which the Mortgagor may have in and to the Leasehold Mortgage Premises pursuant to holdover, month-to-month and statutory tenancies arising out of the Port Authority Lease), including the leasehold estate held by the Mortgagor as the Lessee under, and created by, the Port Authority Lease in (i) all buildings, improvements and structures now or hereafter erected on the land shown in stipple and stipple-diagonal hatching on Exhibit 1.1 of the Port Authority Lease, (ii) all buildings, structures, fixtures, improvements and other property of the Port Authority and leased to the Mortgagor under the Port Authority Lease now or hereafter located therein, thereon or thereunder and (iii) all structures, improvements, additions, buildings, installations and facilities leased to the Mortgagor under the Port Authority Lease and located, constructed or installed, or which may now or hereafter be located, constructed or installed therein, thereon or thereunder, and the equipment permanently affixed or permanently located therein, such as electrical, plumbing, sprinkler, fire protection and fire alarm, heating, steam, sewage, drainage, refrigerating, communications, gas and other systems, and their pipes, wires, mains, lines, tubes, conduits, equipment and fixtures, and all paving, drains, culverts, ditches and catch-basins constructed therein, thereon or thereunder, provided, however, it is hereby understood and agreed that the Mortgagor has no leasehold estate in the AirTrain, the Cogeneration Facility, the Traffic Systems and the Distribution Portion of the System (as such terms are defined in the Port Authority Lease) and accordingly they are not part of the Leasehold Mortgage Premises;

(b) all modifications, extensions and renewals of the Port Authority Lease (to the extent it applies to the Leasehold Mortgage Premises), including, but not limited to, the right, if any, to renew or extend the Port Authority Lease (to the extent it applies to the Leasehold Mortgage Premises) for a succeeding term and all modifications to the Port Authority Lease extending the Port Authority Lease to property not included within the Leasehold Mortgage Premises on the date hereof; and

(c) subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Basic Lease, to the extent not otherwise included, all proceeds and products of any of the foregoing, including any award, compensation or insurance payment to which the Mortgagor may become entitled (and which are not either (i) required to be used for the rebuilding of the Leasehold Mortgage

Premises or (ii) not 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.

TO HAVE AND TO HOLD the Mortgaged Property unto the Leasehold Mortgagee; and the Mortgagor hereby binds itself and its successors, and assigns to warrant and forever defend title to the Mortgaged Property unto the Leasehold Mortgagee, and its successors and substitutes permitted under Section 92, against every Person whomsoever lawfully claiming or to claim the same or any part thereof by, through and under the Mortgagor, and not otherwise, and subject to the terms of the Port Authority Lease. The conveyance, however, is intended as a mortgage and security agreement, and is made upon the following terms and conditions, to wit: if the Secured Obligations are paid and performed pursuant to the terms of either or both Guaranties, when the same shall become due, then this Leasehold Mortgage and all herein contained shall be null and void, and shall be released at the Mortgagor's cost and expense; otherwise, this Leasehold Mortgage shall continue in full force and effect unless terminated earlier in accordance with Section 92.

This Leasehold Mortgage shall terminate in all events upon the date of the commencement of the New American Lease (as defined in the ATL).

This Leasehold Mortgage and the lien created hereby are subordinate to the fee estate held by the City in the Leasehold Mortgage Premises and to the leasehold estate held by the Port Authority pursuant to the Basic Lease, including any extension or renewal of the Basic Lease or any new lease or Airport Lease (as defined in the Port Authority Lease) in replacement thereof. In no event shall the lien created by this Leasehold Mortgage attach to (a) the fee or any other estate held by the City in the Leasehold Mortgage Premises, (b) any other property which becomes the City's property upon the termination or expiration of the Basic Lease or (c) the leasehold estate from the City or otherwise held by the Port Authority in the Leasehold Mortgage Premises. This instrument does not extend to or affect, or represent a lien or encumbrance on, the estate or interest of the fee owner of the premises that are the subject of this instrument or any property located therein or thereon, and in the event of any inconsistent provision in this instrument, this provision shall prevail.

This Leasehold Mortgage and the lien created hereby shall be subject to, controlled by and dependent upon the Port Authority Lease and the Consent Agreement. This Leasehold Mortgage shall not take effect and no lien shall be created hereunder or attach where the same constitutes a Wrongful Recording of the Leasehold Mortgage as defined in Section 92 of the Port Authority Lease.

The Mortgagor and the Leasehold Mortgagee acknowledge and agree that the form of this Leasehold Mortgage has not been approved or consented to by the City.

If the RNDA Effective Date occurs, the Fee Owner (as defined in the RNDA) will succeed to all of the rights of the Port Authority under this Leasehold Mortgage.

4. Representations and Warranties. The Mortgagor hereby represents and warrants that:

(a) The Mortgagor's principal place of business and chief executive office is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155.

(b) The Mortgagor has all power, statutory and otherwise, to execute and deliver this Leasehold Mortgage, to perform its obligations hereunder, and to subject the Mortgaged Property to the liens created hereby, all of which have been duly authorized by all necessary action.

(c) The Port Authority Lease and the Consent Agreement permit the creation of the liens in the Mortgaged Property created hereunder.

(d) All of the personal property and fixtures leased by the Mortgagor, a leasehold interest in which constitutes a portion of the Leasehold Mortgage Premises, is located on the real property which is covered by the Port Authority Lease and is located in Queens County, New York.

(e) The Mortgagor is a Delaware corporation duly incorporated and in good standing in the State of Delaware and is qualified to do business and is in good standing in the State of New York.

(f) Neither this Leasehold Mortgage, the authorization, execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which the Mortgagor is a party or by which it or any of its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation, by-laws, or any other requirement of law.

(g) This Leasehold Mortgage constitutes the legal, valid and binding obligation of the Mortgagor, enforceable against the Mortgagor in accordance with its terms.

(h) The Mortgagor is vested with a valid and subsisting leasehold estate created by Port Authority Lease, which leasehold estate, to the best of the Mortgagor's knowledge, is subject to no mortgage, lien, charge, pledge, assignment, security interest, conditional sale agreement or encumbrance of any kind whatsoever, other than Permitted Encumbrances.

(i) This Leasehold Mortgage is in the form required by the Consent Agreement.

(j) The Reletting Rights Effective Date has occurred.

(k) The recording of this Leasehold Mortgage is not a Wrongful Recording of the Leasehold Mortgage.

5. Leasehold Mortgage Default.

(a) As used herein, the term "Leasehold Mortgage Default" shall mean the occurrence subsequent to the Reletting Rights Effective Date of:

(i) the serving of (and during the pendency of) a Notice of Termination (as defined in Section 92) by the Port Authority to the Leasehold Mortgagee given pursuant to paragraph (l) of Section 92;

(ii) a Bonds Default (as defined in paragraph (a) of Section 92) occurring in accordance with paragraph (m)(1) of Section 92, it being agreed that such Bonds Default constitutes an event of default under this Leasehold Mortgage giving the Leasehold Mortgagee the right to foreclose this Leasehold Mortgage; or

(iii) a Bankruptcy Rejection Date (as defined in paragraph (r)(1)(i)(B) of Section 92) occurring in accordance with paragraph (r) of Section 92.

(b) Notwithstanding anything to the contrary contained in this Leasehold Mortgage, the Leasehold Mortgagee shall have no rights or remedies against the Mortgagor based upon the failure of any Bondholder to receive any payment due to it from the Trustee under the Indenture if either the Mortgagor or AMR shall have made such payment to the Trustee.

6. Remedies and Rights Upon Leasehold Mortgage Default.

(a) 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, subject to, controlled by, and dependent upon in all respects, the applicable provisions and conditions set forth in the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, pursue the following remedies:

(i) *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 this Leasehold Mortgage and realization on the security herein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for payment of 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. The Mortgagor, for itself and anyone claiming by, through or under it, hereby agrees that the Leasehold Mortgagee shall in no manner, in law or in equity, be limited, except as herein provided and as provided in Section 92, in the exercise of its rights in the Mortgaged Property or in any other security hereunder 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 the Mortgagor, to the extent permitted by law, for itself and others as

aforesaid, hereby 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 the Mortgagor 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.

(ii) *Excess Monies*. Subject to, controlled by, and dependent upon Section 92, and the Consent Agreement, the Leasehold Mortgagee may apply on account of the Secured Obligations any unexpended monies still retained by the Leasehold Mortgagee that were paid by the Mortgagor 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 the Mortgagor.

(iii) *Remedies Under Section 92*. Subject to, controlled by and dependent upon Section 92 and the Consent Agreement, the Leasehold Mortgagee may pursue any remedies set forth in Section 92, including its right to relet the Leasehold Mortgage Premises, in accordance with and subject to Section 92. In pursuing such remedies, the Leasehold Mortgagee shall be entitled to employ, at the expense of the Mortgagor, appropriate consultants and agents to assist it and shall not be liable for the acts or omissions of such consultants or agents nor for acting in good faith reliance upon the advice of such consultants or agents.

(iv) *Other Remedies*. Subject to, controlled by and dependent upon Section 92 and the Consent Agreement, 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 the Mortgagor and/or AMR Corporation under the terms of the Guaranty, 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 the Mortgagor existing at the time the earlier action was commenced.

(b) Exercise of Remedies and Rights. The Leasehold Mortgagee shall exercise its rights and remedies under this Leasehold Mortgage subject to, controlled by and dependent in all respects and in all events upon the Port Authority Lease, including without limitation Section 92 and the Consent Agreement, without limiting the generality of the foregoing, to the following:

(i) *Benefit of Section 254 and Section 271 of the Real Property Law*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92 and the Consent Agreement, nothing herein contained shall be construed as depriving the Leasehold Mortgagee of any right or advantage available under Paragraphs 3, 5, 8 and 9 of Section 254 or Paragraph 3 of Section 271 of the Real Property Law of the State of New York, but all covenants herein differing therefrom shall be construed as conferring additional and not substitute rights and advantages.

(ii) *This Leasehold Mortgage Constitutes A Commercial Transaction*. THE MORTGAGOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS LEASEHOLD MORTGAGE IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY VOLUNTARILY AND KNOWINGLY WAIVES, TO THE EXTENT PERMITTED BY LAW, ITS RIGHTS TO NOTICE AND HEARING AS ALLOWED UNDER ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY OR OTHER RIGHT WHICH THE LEASEHOLD MORTGAGEE MAY DESIRE TO USE. FURTHER, THE MORTGAGOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL PRESENT AND FUTURE VALUATION, APPRAISEMENT, HOMESTEAD EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS.

(iii) *No Remedy Exclusive*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, no remedy conferred upon or reserved to the Leasehold Mortgagee hereunder is or shall be deemed to be exclusive of any other available remedy or remedies. Each such remedy shall be distinct, separate and cumulative, shall not be deemed to be inconsistent with or in exclusion of any other available remedy, may be exercised in the discretion of the Leasehold Mortgagee at any time, in any manner, and in any order, and shall be in addition to and separate and distinct from every other remedy given the Leasehold Mortgagee under this Leasehold Mortgage or any other Security Documents now or hereafter existing in favor of the Leasehold Mortgagee at law or in equity or by statute. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, without limiting the generality of the foregoing, the Leasehold Mortgagee shall have the right to exercise any available remedy to recover any amount due and payable hereunder without regard to whether any other amount is due and payable, and without prejudice to the Leasehold Mortgagee to exercise any available remedy for other Leasehold Mortgage Defaults existing at the time the earlier action was commenced.

(iv) *Delay To Not Constitute Waiver*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, any delay, omission or failure by the Leasehold Mortgagee to insist upon the strict performance by the Mortgagor of any of the covenants, conditions and agreements herein set forth to be exercised by them or to exercise any right or remedy available to it upon the occurrence of a Leasehold Mortgage Default hereunder shall not impair any such right or remedy or be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce, by injunction or other appropriate legal or equitable remedy, strict compliance by the Mortgagor with all of the covenants, conditions and agreements herein to be exercised by it, or of the right to exercise any such rights or remedies if such default by the Mortgagor be continued or repeated. Any forbearance by the Leasehold Mortgagee before or after any exercise of any such option, or any forbearance to exercise any other remedy of the Leasehold Mortgagee, or any withdrawal or abandonment by the Leasehold Mortgagee of any of its rights in any one circumstance shall not be construed as a waiver of any

option, power, remedy or right of the Leasehold Mortgagee hereunder. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the rights and remedies of the Leasehold Mortgagee expressed and contained in this Leasehold Mortgage are cumulative and none of them shall be deemed to be exclusive of any other or of any right or remedy the Leasehold Mortgagee may now or hereafter have in law or in equity. The election of any one or more remedies shall not be deemed to be an election of remedies under any statute, rule, regulation or case law.

(v) *Effect of Discontinuance of Proceedings*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, in case any proceedings taken by the Leasehold Mortgagee on account of any Leasehold Mortgage Default hereunder shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Leasehold Mortgagee, then and in every such case, the Mortgagor, the Leasehold Mortgagee and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Leasehold Mortgagee shall continue as in effect prior to the commencement of such proceedings.

(vi) *Marshalling*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, to the extent permitted by law, the Mortgagor waives and releases any right to have the Mortgaged Property marshalled.

(vii) *Actions and Proceedings*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee shall have the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceeding which the Leasehold Mortgagee, in its reasonable discretion, determines to be brought to protect its interest in the Mortgaged Property. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee shall further have the right, from time to time, to sue for the payment of the Secured Obligations, as the same become due, without regard to whether or not the principal sums secured or any other sums secured by this Leasehold Mortgage shall be due and without prejudice to the right of the Leasehold Mortgagee hereafter to bring an action of foreclosure or any other action for a default or defaults by the Mortgagor existing at the time such earlier action was commenced; provided, however, that, subject to Section 92, none of the foregoing shall be deemed to alter, impose or restrict any Port Authority rights or remedies under the Port Authority Lease or otherwise.

(viii) *Attorneys' Fees and Other Costs*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor agrees to bear all costs, fees and expenses including court costs and reasonable expenses (including reasonable attorneys' fees and disbursements) for legal services of or incidental to the enforcement of any provisions hereof, or enforcement, compromise or settlement of any of the

collateral pledged hereunder, and for the curing of any default hereunder, or by defending or asserting the rights and claims of the Leasehold Mortgagee in respect thereof, by litigation or otherwise, and will pay to the Leasehold Mortgagee any such expenses incurred, and such expenses shall be deemed part of the Secured Obligations secured by this Leasehold Mortgage and shall be collectible in like manner as the Secured Obligations secured by this Leasehold Mortgage. All rights and remedies of the Leasehold Mortgagee shall be cumulative and may be exercised singly or concurrently. In no event shall the Leasehold Mortgagee have the right to declare a Leasehold Mortgage Default based solely upon the Mortgagor's failure to pay any costs described in this Section 6(b)(viii), nor shall the rights afforded to the Leasehold Mortgagee under this Section 6(b)(viii) be deemed to expand or increase the Reletting Rights afforded to the Leasehold Mortgagee under Section 92.

(ix) *No Additional Waiver Implied by One Waiver*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, in the event any covenant or agreement contained in this Leasehold Mortgage should be breached by the Mortgagor and thereafter waived by the Leasehold Mortgagee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be binding unless it is in writing and signed by the Leasehold Mortgagee. No course of dealing between the Mortgagor and/or any other Person or any delay or omission on the part of the Leasehold Mortgagee in exercising any rights hereunder shall operate as a waiver.

(x) *Application of Proceeds*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, all proceeds derived through the exercise of any remedies or the commencement of any proceedings under this Leasehold Mortgage shall be applied in accordance with Section 8.03 of the Master Indenture.

(xi) *Waiver of Moratorium*. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor will not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, or the exemption from execution from sale of any or all of the Mortgaged Property, now or any time hereafter enacted or enforced, nor claim, take or insist upon the benefit of any law now or hereafter enacted or enforced providing for the valuation or appraisal of the Mortgaged Property or any part thereof prior to any sale or sales thereof which may be made pursuant to any provisions herein or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after any sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted or enforced to redeem the property so sold or any part thereof. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, to the extent permitted by law, the Mortgagor hereby expressly waives the benefit or advantage of any such law or laws and covenants

not to delay or impede the execution of any power herein granted or delegated to the Leasehold Mortgagee.

(xii) *Waiver of Notice*. The Mortgagor shall not be entitled to any notices of any nature whatsoever from the Leasehold Mortgagee except with respect to matters for which this Leasehold Mortgage specifically and expressly provides for the giving of notice by the Leasehold Mortgagee to the Mortgagor, and the Mortgagor hereby expressly waives the right to receive any notice from the Leasehold Mortgagee with respect to any matter for which this Leasehold Mortgage does not specifically and expressly provide for the giving of such notice.

7. Effect of Foreclosure. Any foreclosure under the powers granted by this Leasehold Mortgage shall be a perpetual bar against the Mortgagor and its successors and assigns.

8. Mortgagor Shall Perform Obligations. The Mortgagor shall perform all of its obligations under the Port Authority Lease and the Consent Agreement (including without limitation its obligations under Section 92 of the Port Authority Lease) and the IDA Lease Agreement notwithstanding the existence of this Leasehold Mortgage. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor shall not modify, amend, supplement or extend Section 92 of the Port Authority Lease, nor shall the Mortgagor enter into any amendment of the Port Authority Lease which shall only affect an Approved Successor Lessee without affecting the originally named Mortgagor, without the prior consent of the Leasehold Mortgagee in each case. The Mortgagor 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 Leasehold Mortgage Premises.

9. Severability; Construction Consistent With Law. In the event that any one or more of the provisions contained in this Leasehold Mortgage shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Leasehold Mortgage. If the liens created by this Leasehold Mortgage shall be invalid or unenforceable as to any part of the Secured Obligations secured hereby, the unsecured portion of the Secured Obligations shall be completely paid and liquidated prior to the payment and liquidation of the remaining unsecured portion of said indebtedness, and all payments made on said indebtedness shall be considered to have been first paid on and applied to the complete payment and liquidation of that portion of the indebtedness that is not secured by the liens of this Leasehold Mortgage.

10. Security Interest and Security Agreement. (a) Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, to further secure the Secured Obligations, the Mortgagor hereby grants to the Leasehold Mortgagee a security interest in and to the Mortgaged Property insofar as the Mortgaged Property consists of a leasehold interest in fixtures, including any proceeds and products thereof and therefrom, which interest may, in the case of fixtures, be subject to purchase money security interests to the extent permitted under the definition of Permitted Encumbrances. If any Leasehold Mortgage Default occurs, the Leasehold Mortgagee is and shall be entitled to

all of the rights, powers and remedies afforded a secured party by the New York Uniform Commercial Code (the "Code") with reference to the leasehold interest in the fixtures as to which the Leasehold Mortgagee has been granted a security interest herein. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee may elect to foreclose such of the Mortgaged Property as then comprises a leasehold interest in fixtures pursuant either to the law applicable to foreclosure of an interest in real estate or to that applicable to personal property under the Code. To the extent permitted by law, the Mortgagor waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

(b) Security Agreement. This Leasehold Mortgage is and shall be deemed to be a security agreement under the Code with respect to the Mortgaged Property and subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Leasehold Mortgagee shall have all the rights of a secured party thereunder. Promptly following a request by the Leasehold Mortgagee, the Mortgagor shall execute and deliver to the Leasehold Mortgagee any security agreement, financing or continuation statement or other document the Leasehold Mortgagee reasonably deems necessary to protect or perfect its lien on the Mortgaged Property. The Mortgagor authorizes the Leasehold Mortgagee, to the extent permitted by law, to sign and file any financing or continuation statement or termination statement at any time with respect to the Mortgaged Property in the absence of any signature by or on behalf of the Mortgagor.

11. Leasehold Mortgagee Acts In Trust Capacity. Except as otherwise provided in the Indenture, it is expressly understood and agreed by the Mortgagor and the Leasehold Mortgagee that (a) this Leasehold Mortgage is accepted by The Bank of New York, not in its individual capacity but solely as Trustee under the Indenture in the exercise of the powers and authority conferred and vested in it as the Trustee thereunder for the benefit of the Bondholders, and (b) under no circumstances shall The Bank of New York be personally liable for the payment of any Secured Obligations or expenses of the Trustee under the Indenture.

12. Notices. All notices or other communications required or permitted to be given pursuant to this Leasehold Mortgage, except the notices from the Leasehold Mortgagee to the Port Authority pursuant to Section 13 hereof, which shall be governed by the Port Authority Lease and the Consent Agreement, shall be in writing and shall be considered as properly given if mailed by first-class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the Leasehold Mortgagee and the Mortgagor shall be as set forth in the opening paragraph hereof, provided, however, that any party entitled to receive any notice hereunder shall have the right to change its address for notice hereunder to any other location by the giving of 20 days' notice to the other party in the manner set forth hereinabove.

13. Notice to Port Authority. Under Section 92 and the Consent Agreement, the Leasehold Mortgagee is required to give certain written notices to the Port Authority. The address of the Port Authority for such purposes shall be as set forth in the Port Authority Lease and the Consent Agreement, and such notices shall be given as set forth in the Port Authority Lease and the Consent Agreement.

14. Advances. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, if the Mortgagor shall fail to comply with any of the covenants or conditions to be complied with by it under the Port Authority Lease, the Leasehold Mortgagee may, but shall not be obligated to, make advances to cause such compliance on the Mortgagor's behalf, and all sums so advanced shall be a lien upon the Mortgaged Property and shall be secured hereby, but the same shall not increase, expand or enlarge the Reletting Rights under Section 92 nor create or be deemed to create any new or additional rights in Leasehold Mortgagee, nor shall the same extend the lien of this Leasehold Mortgage beyond or after the payment or defeasance of all of the Bonds pursuant to Article X of the Indenture. The Mortgagor shall repay on demand all sums so advanced together with interest thereon at the weighted average interest rate then applicable to the Bonds secured by this Leasehold Mortgage. The provisions of this Section 14 shall not prevent any such failure to comply from constituting a Leasehold Mortgage Default.

15. Release of Part of Leasehold Mortgage Premises.

(a) The Leasehold Mortgagee and the Mortgagor acknowledge that the Leasehold Mortgagee and the Port Authority may wish to eliminate certain portions of the Leasehold Mortgage Premises from the Port Authority Lease from time to time during the existence of this Leasehold Mortgage. The portions of the Leasehold Mortgage Premises which the Port Authority and the Mortgagor wish to eliminate from the Port Authority Lease shall be hereinafter referred to as the "Released Property". The Mortgagor hereby agrees that the Released Property may only be eliminated from the Port Authority Lease and released from this Leasehold Mortgage in accordance with this Section 15.

(b) A "Minor Release" shall be a release of part of the Leasehold Mortgage Premises with respect to which (together with the parts of the Leasehold Mortgage Premises previously released) the Mortgagor certifies will not have a material adverse effect on the use of the remaining Leasehold Mortgage Premises as a passenger terminal facility comparable to the passenger terminal facility on the Leasehold Mortgage Premises immediately prior to such release. A portion of the Leasehold Mortgage Premises constituting a Minor Release may be released from the lien of this Leasehold Mortgage provided (A) the Mortgagor has provided the Leasehold Mortgagee and the Agency with a certificate executed by an officer or director of the Mortgagor setting forth that the proposed Minor Release meets the conditions set forth in the first sentence and clauses (B) and (C) of this Section 15(b), (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) the Mortgagor shall have delivered to the Leasehold Mortgagee a Favorable Opinion of Bond Counsel. The Leasehold Mortgagee shall promptly record in the recording office where this Leasehold Mortgage was recorded an appropriate instrument identifying and implementing the Minor Release, in the form attached hereto as Appendix D, with a copy thereof to the Mortgagor and to the Port Authority.

(c) Any proposed release of a part of the Leasehold Mortgage Premises which is not a Minor Release shall be considered a "Major Release". In order to effect a Major Release of a part of the Leasehold Mortgage Premises from the lien of this Leasehold Mortgage, the Mortgagor shall cause the conditions applicable to a Minor Release specified in Section 15(b) to be satisfied (other than the delivery of certification described in the first sentence of Section 15(b)), and shall pay to the Leasehold Mortgagee a release price (the "Release Price") calculated in accordance with this Section 15(c). The Mortgagor 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 the Mortgagor which shall specify the portion of the total annual revenues (the "Total Revenues") attributable to the Leasehold Mortgage 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. The Release Price shall be an amount that bears the same ratio to the then outstanding principal amount of the Bonds secured by this Leasehold Mortgage as the Allocable Revenues bear to the Total Revenues. The Leasehold Mortgagee shall promptly record in the recording office where this Leasehold Mortgage was recorded an appropriate instrument identifying and implementing the Major Releases in the form attached hereto as Appendix D, with a copy thereof to the Mortgagor and to the Port Authority.

(d) The Leasehold Mortgagee shall execute and deliver such documents and take such further action as the Mortgagor may from time to time reasonably request to effect the Minor Release or Major Release accomplished in accordance with this Section 15, with copies supplied in advance of execution to the Port Authority.

16. Miscellaneous.

(a) Successors and Assigns. Except in accordance with the Port Authority Lease, the Mortgagor shall not sublease the Leasehold Mortgage Premises (other than the subleasing under the Company Sublease as consented to in the Consent Agreement) or assign all or any portion of its rights and obligations hereunder. Subject to the foregoing, this Leasehold Mortgage is binding upon the Mortgagor and its successors and assigns, and shall inure to the benefit of the Leasehold Mortgagee, its successors and substitutes under Section 92 and the Bondholders. The Leasehold Mortgagee may not assign this Leasehold Mortgage except to (i) a party becoming a successor or substitute Leasehold Mortgagee appointed in accordance with Section 92 or (ii) to the Port Authority if the Port Authority exercises its purchase rights under paragraph (v) of Section 92.

(b) Further Assurances. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor shall promptly and duly execute and deliver such documents and assurances and take such further action as the Leasehold Mortgagee from time to time may reasonably request to carry out more effectively the intent and purpose of this Leasehold Mortgage, or to establish and protect the rights and remedies created or intended to be created hereunder in favor of the Leasehold Mortgagee, including, without limitation, an amendment and restatement of or modification to this Leasehold Mortgage

to reflect the changes to the description of the Leasehold Mortgage Premises as described on Exhibit I attached hereto.

(c) Headings. The headings of the sections and subsections are for convenience only and shall not affect the meaning of this Leasehold Mortgage.

(d) Recording and Filing. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, this Leasehold Mortgage and all supplements hereto shall be recorded by the Mortgagor as a mortgage on lease of real property in the appropriate office of the Register of the City of New York, or in such other office as may be at the time provided by law as the proper place for the recordation thereof, provided, however, that in no event whatsoever shall this Leasehold Mortgage be recorded until after the Reletting Rights Effective Date. The security interest of the Leasehold Mortgagee created by this Leasehold Mortgage in the property, rights and interests herein described, shall be perfected by the filing by the Mortgagor in the office of the Secretary of State of the State of Delaware, and in the office of such Register, of financing statements which fully comply with the Delaware or New York State Uniform Commercial Codes (Secured Transactions), as applicable, provided, however, that in no event whatsoever shall this Leasehold Mortgage be recorded until after the Reletting Rights Effective Date. This Leasehold Mortgage shall be re-recorded and re-indexed by the Leasehold Mortgagee whenever, pursuant to the New York State Uniform Commercial Code (Secured Transactions) or in the Opinion of Counsel to the Mortgagor, such action is necessary to preserve the lien and security interest hereof; and in addition, such financing or continuation statements as in the opinion of such counsel pursuant to the New York State Uniform Commercial Code - Secured Transactions or become necessary to preserve the lien and security interest of this Leasehold Mortgage shall be filed by the Leasehold Mortgagee in said office of the Secretary of State of the State of Delaware, and in the office of the Register of the City of New York, provided, however, that in no event whatsoever shall this Leasehold Mortgage be recorded until after the Reletting Rights Effective Date. Any said re-recordings, re-indexings, filings and re-filings shall be prepared by the Mortgagor and accompanied with any fees or requisite charges. All mortgage recording taxes and filing and recording charges and fees as are due and payable shall be payable by the Mortgagor. Upon the satisfaction of all Secured Obligations or other termination of the effectiveness of this Leasehold Mortgage in accordance with Section 92, the Leasehold Mortgagee shall deliver, at the direction and sole cost of the Mortgagor, UCC-3 Termination Statements and such other instruments reasonably requested by the Mortgagor necessary to terminate such security interest.

(e) Applicability of Section 13 of the Lien Law. It is intended that this Leasehold Mortgage shall be superior to any laborers', mechanics' or materialmen's liens which may be placed upon the Mortgaged Property subsequent to the recordation hereof. This Leasehold Mortgage is subject to the trust fund provisions of Section 13 of the New York Lien Law and the Mortgagor shall, therefore, in compliance with Section 13 of the New York Lien Law, receive the funds advanced to the Mortgagor pursuant to the Indenture, shall hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvements on the Leasehold Mortgage

Premises and shall apply the same first to the payment of the cost of the improvements on the Leasehold Mortgage Premises before using any part of the total of the same for any other purpose.

(f) Additional Taxes or Charges. If any law or ordinance is enacted or adopted which imposes a tax, either directly or indirectly, on this Leasehold Mortgage, the Mortgagor will pay such tax as is due and payable, with interest and penalties thereon, if any. If at any time the United States of America, any state thereof or any governmental subdivision of any such state, shall require revenue or other stamps to be affixed to this Leasehold Mortgage or any of the other Security Documents, the Mortgagor agrees to pay for the same, as is due and payable, with interest and penalties thereon, if any.

(g) Usury Laws. This Leasehold Mortgage and all other Security Documents are subject to the express condition that at no time shall the Mortgagor be obligated or required to pay interest on the principal balance due under the Secured Obligations at a rate which could subject the holder of the Secured Obligations to either civil or criminal liability as a result of being in excess of the maximum interest rate which the Mortgagor is permitted by law to contract or agree to pay. If by the terms of this Leasehold Mortgage or any of the other Security Documents, the Mortgagor is at any time required or obligated to pay interest on the principal balance due under the Secured Obligations at a rate in excess of such maximum rate, the rate of interest under the Secured Obligations shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate.

(h) Creation of Liens; Indebtedness; Sale of Leasehold Mortgage Premises. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, the Mortgagor shall not 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 this Leasehold Mortgage and Permitted Encumbrances. The Mortgagor shall not incur any indebtedness or issue any evidences of indebtedness, other than the Lessee Guaranty, secured by a lien on or pledge of such Mortgaged Property. The Mortgagor further covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Leasehold Mortgage Premises or any part thereof except as specifically permitted under the Port Authority Lease, the Consent Agreement, the IDA Lease Agreement, the Indenture and this Leasehold Mortgage, so long as this Leasehold Mortgage is in effect.

(i) Defense of Leasehold Estate. During the existence of this Leasehold Mortgage, which shall in no event commence until after the occurrence of the Reletting Rights Effective Date, at the written request of the Leasehold Mortgagee, the Mortgagor, on behalf of the Holders of the Bonds and in accordance with the terms of the Indenture, shall defend the leasehold estate of the Mortgagor to the Mortgaged Property and every part thereof for the benefit of the Holders of the Bonds, and the Mortgagor agrees to warrant and defend such leasehold estate, against the claims and demands of all Persons whomsoever.

(j) Amendments and Modifications. This Leasehold Mortgage shall be amended, modified or supplemented only by a written agreement executed by the Mortgagor and the Leasehold Mortgagee and, in any event, only in accordance with the Indenture, Section 92 and the Consent Agreement.

(k) Incorporation of Certain Indenture Provisions. Subject to, controlled by and dependent upon the Port Authority Lease, including without limitation Section 92, and the Consent Agreement, all provisions of Article IX of the Indenture and of Section 92 shall be construed as extending to and including all of the rights, duties and obligations imposed upon the Leasehold Mortgagee under this Leasehold Mortgage as fully and for all purposes as if said Article IX and said Section 92 were contained in this Leasehold Mortgage.

(l) Entire Agreement; Counterparts. This Leasehold Mortgage, together with Section 92 and the Consent Agreement, constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof (other than any Security Documents) and may be executed simultaneously in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(m) Condemnation and Insurance Proceeds. Subject to, controlled by and dependent upon the applicable provisions of the Port Authority Lease, and subject to the Basic Lease in connection with the condemnation or the damage or destruction of any Mortgaged Property, and the payment of any condemnation awards or insurance or other proceeds in connection therewith, the provisions of Article V of the IDA Lease Agreement shall be deemed to be incorporated into this Leasehold Mortgage and shall survive any termination of the IDA Lease Agreement or the Credit Facility Agreement if any.

(n) Non-Residential Property. This Leasehold Mortgage does not cover real property principally improved by one or more structures containing in the aggregate six (6) or less residential units having its own separate cooking facilities, and the Mortgagor so represents and warrants.

(o) Port Authority's Bankruptcy; Effect on Company Sublease. The Mortgagor shall not elect to treat the Company Sublease as terminated, canceled or surrendered pursuant to the applicable provisions of the Bankruptcy Code (including, but not limited to, Section 365(h)(1) thereof) without the Leasehold Mortgagee's prior written consent in the event of the Port Authority's bankruptcy, notwithstanding any rejection thereof by the Port Authority or any trustee, custodian or receiver. The foregoing shall not and shall not be deemed to be binding on the Port Authority nor to limit, alter, restrict or impair any rights or remedies (legal or equitable) of the Port Authority.

(p) Waiver of Certain Mortgagor Defenses. Except for any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom, the Mortgagor acknowledges and agrees that under no circumstances

shall the alleged non-compliance by the Mortgagor, AMR, the Agency, the Port Authority or any other Financial Party with any of the terms, conditions or representations contained in the Consent Agreement be a defense by the Mortgagor in any proceeding brought by the Leasehold Mortgagee to enforce its rights under this Leasehold Mortgage or any provision thereof. Further, except for any Wrongful Recording of the Leasehold Mortgage and any rights, claims, remedies or defenses arising therefrom, the Mortgagor hereby waives all of its defenses, if any, to this Leasehold Mortgage or any provision thereof that may arise out of (i) any purported invalidity, termination (except as specifically set forth in Section 5.2 of the Consent Agreement) or inapplicability of the Consent Agreement or (ii) any non-compliance with any of the terms, conditions or representations contained in the Consent Agreement by the Mortgagor, AMR, the IDA, the Port Authority or any other Financial Party. Anything to the contrary in the foregoing notwithstanding, it is hereby expressly understood and agreed that neither the foregoing sentences of this Section 16(p) nor any waiver of the Mortgagor shall or shall be construed to waive, impair or preclude any right, remedy, claim or defense or indemnity in favor of the Port Authority or any other party, including but not limited to any right, remedy, claim or defense or indemnity available to the Port Authority or any other party by subrogation or otherwise, with respect to the matters mentioned in the preceding sentences of this Section 16(p) or with respect to any Wrongful Recording of the Leasehold Mortgage.

(q) No Impairment, Etc. of this Leasehold Mortgage. Notwithstanding anything to the contrary contained in Section 8.6(a) of the Consent Agreement, after (i) the proper execution and delivery of this Leasehold Mortgage following the Reletting Rights Effective Date in the form attached to the Consent Agreement as Exhibit G and in accordance with the Port Authority Lease and the Consent Agreement and (ii) the satisfaction of all conditions as set forth in Section 4.2 of the Consent Agreement, no violation of any covenant or condition contained in the Consent Agreement by any party hereto, nor any claim of misrepresentation by any such party, shall in any way affect, invalidate, impair or (except as specifically set forth in Section 5.2 of the Consent Agreement) terminate this Leasehold Mortgage or affect the lien thereof; provided, however, that where any such violation or misrepresentation constitutes a Wrongful Recording of the Leasehold Mortgage, this Leasehold Mortgage and the lien hereof shall not be entitled to the foregoing protection. Nothing contained herein shall limit the rights, remedies, claims or defenses of the Port Authority or any indemnities in favor of the Port Authority under the Port Authority Lease, the Consent Agreement or otherwise, for any such violation or misrepresentation, including without limitation the rights of the Port Authority under the Consent Agreement and the right of the Port Authority to terminate the Port Authority Lease in accordance with paragraph (d)(2) of Section 92. Without limiting paragraph (e) of Section 92 or any other term, covenant, provision or condition of the Port Authority Lease and without limiting Section 5.2 of the Consent Agreement, the parties acknowledge that if the Port Authority Lease is terminated pursuant to Sections 20 and 92 of the Port Authority Lease, then this Leasehold Mortgage and the lien created hereby shall simultaneously and automatically terminate and end.

17. Choice of Law. THIS LEASEHOLD MORTGAGE SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT EXCLUDING ITS CONFLICT-OF-LAWS RULES.

18. Waiver of Jury Trial and Counterclaims. EACH OF THE PARTIES TO THIS LEASEHOLD MORTGAGE HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS LEASEHOLD MORTGAGE OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LEASEHOLD MORTGAGE. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Leasehold Mortgage and the transactions contemplated hereby, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 18 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS LEASEHOLD MORTGAGE. In the event of litigation, this Leasehold Mortgage may be filed as a written consent to a trial by the court. THE MORTGAGOR WAIVES THE RIGHT TO ASSERT A COUNTERCLAIM IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY THE LEASEHOLD MORTGAGEE.

19. No Wrongful Recording. Each of the Mortgagor and the Leasehold Mortgagee hereby covenants and agrees that it shall comply with the provisions of Section 92(d)(2) of the Port Authority Lease in connection with the recording of this Leasehold Mortgage. If any recording of this Leasehold Mortgage shall constitute a Wrongful Recording of the Leasehold Mortgage as defined in Section 92, each of the Mortgagor and the Leasehold Mortgagee hereby expressly covenants, represents and agrees that it shall cooperate with the landlord under the Port Authority Lease, and shall promptly take or cause to be taken any and all actions requested by the landlord under the Port Authority Lease or required under applicable law, to remove and discharge this Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including but not limited to the execution and filing of all appropriate instruments related thereto. Notwithstanding the foregoing, any failure of the Mortgagor to comply with Section 92(d)(2) of the Port Authority Lease or any Wrongful Recording of the Leasehold Mortgage shall not constitute a breach of this Section 19 if such breach is cured as provided in this Section 19 or is waived in writing by the landlord under the Port Authority Lease.

20. Agency Joinder. The Agency acknowledges that this Leasehold Mortgage will secure the obligations of the Mortgagor and AMR to pay the principal and purchase price, if any, of and interest and premium, if any, on the Bonds pursuant to the Guaranty. The Agency, as sublessee of the Mortgagor pursuant to a Company Sublease Agreement dated as of July 1, 2002

between the Mortgagor and the Agency, acknowledges and consents to the granting of this Leasehold Mortgage by the Mortgagor. The Agency hereby authorizes and instructs the Mortgagor to execute and deliver this Leasehold Mortgage to the Leasehold Mortgagee and to cause the Leasehold Mortgagee to record the same, all in accordance with and subject to, controlled by and dependent upon the Port Authority Lease, including Section 92, and the Consent Agreement. The Agency hereby agrees, in connection with such recording of this Leasehold Mortgage, to grant the Mortgagor an exemption from mortgage recording taxes imposed under Article II of the New York State Tax Law, as the same may be amended from time to time, that would otherwise be payable in connection with the recording of this Leasehold Mortgage, as more fully set forth in the affidavit of the Vice President for Legal Affairs of the Agency presented to the Office of the City Register, Queens County, simultaneously with the presentation of this Leasehold Mortgage for recording.

IN WITNESS WHEREOF, this Leasehold Mortgage has been executed and delivered on the date first set forth above.

AMERICAN AIRLINES, INC.

By: _____
Name:
Title:

THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY hereby joins in this Leasehold Mortgage solely for the purposes set forth in Section 20.

By: _____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

STATE OF _____)

: ss.:

COUNTY OF _____)

On the ____ day of July, in the year 2002, before me, the undersigned, personally appeared Carolyn A. Edwards, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in New York county in the state of New York.

_____

Notary Public

STATE OF _____)

: ss.:

COUNTY OF _____)

On the ____ day of _____, in the year 20__, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity, and that by his/her/their signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in _____ county in the state of _____.

_____

Notary Public

EXHIBIT I

Property Description

All that certain plot, piece or parcel of land, situate, lying and being in the Borough and County of Queens, City and State of New York being a portion of Lot 1 in Block 14260 of Section 58 as shown on the Tax Map of the City of New York for the Borough of Queens, said premises being a part of the John F. Kennedy International Airport designated as Terminals 8 and 9 and more particularly delineated on the maps attached hereto. (The attached maps are Exhibit 1.1 of the Port Authority Lease).[5]

[5] Exhibit I will be adjusted as necessary to reflect any changes to the Leasehold Mortgage Premises between _____, 2002 and the date of recording.

# APPENDIX A

## Summary of Definitions

APPENDIX B

Section 92

APPENDIX C

Consent Agreement

APPENDIX D

Release Agreement

**THIS INDENTURE,** made the _____ day of _____, 20__

**BETWEEN** THE BANK OF NEW YORK (the "Leasehold Mortgagee")[6] and AMERICAN AIRLINES, INC. (the "Mortgagor"),

**WHEREAS,** the Leasehold Mortgagor is the holder of the Leasehold Mortgage and Security Agreement dated the ____ day of _____ , 20__, made by AMERICAN AIRLINES, INC. to THE BANK OF NEW YORK (the "Leasehold Mortgage") and recorded in Reel _____, Page __ in the office of the City Register of the County of Queens, New York, covering the Mortgagor's leasehold estate in the Leasehold Mortgage Premises (as defined in the Leasehold Mortgage) the Released Leasehold Mortgage Premises (as hereinafter defined) are part , and

**WHEREAS,** the Leasehold Mortgagee, at the request of the Mortgagor, has agreed to give up and surrender the lien of the Leasehold Mortgage on the Mortgagor's leasehold estate in the Released Leasehold Mortgage Premises, and to hold and retain the residue of the leasehold estate in the Leasehold Mortgage Premises as security for the Secured Obligations (as defined in the Leasehold Mortgage).

**NOW THIS INDENTURE WITNESSETH,** that the Leasehold Mortgagee, in pursuance of said agreement and in consideration of $10 lawful money of the United States paid by the Mortgagor, does release from the lien of the Leasehold Mortgage, the Mortgagor's leasehold estate in that part of the Leasehold Mortgage Premises described as follows (the "Released Leasehold Mortgage Premises"):

**AND THE LEASEHOLD MORTGAGEE** confirms that the Released Leasehold Mortgage Premises are forever, free, clear and discharged of and from all lien and claim under and by virtue of the Leasehold Mortgage.

[6] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

**IN WITNESS WHEREOF**, the Leasehold Mortgagee has executed this release the day and year first above written

THE BANK OF NEW YORK[7],
Leasehold Mortgagee

By: _____
Name:
Title:

STATE OF NEW YORK )
: ss.:
COUNTY OF NEW YORK )

On the ____ day of _____, in the year 20__, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

[7] The name of another Leasehold Mortgagee will be substituted if a successor or assign has been appointed in the manner provided in the Indenture.

EQUIPMENT SECURITY AGREEMENT

among

AMERICAN AIRLINES, INC.

and

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, as Debtors,

and

THE BANK OF NEW YORK, as the Secured Party

Dated as of July 1, 2002

Location: Queens County, New York

TABLE OF CONTENTS

Page

1. Definitions and Other Provisions of Interpretation ..... 1
2. Creation of Security Interest ..... 1
3. Representations, Warranties and Covenants of Lessee ..... 4
4. Covenants of Agency ..... 6
5. Default ..... 7
6. Rights and Remedies During Security Documents Event of Default ..... 7
7. Security Interest Absolute ..... 8
8. Attorney-in-Fact ..... 8
9. Secured Party May Perform ..... 9
10. Indemnification; Subrogation; Waiver of Offset ..... 10
11. Reasonable Care ..... 10
12. Waivers of Rights Inhibiting Enforcement ..... 10
13. No Duty on Secured Party's Part ..... 11
14. Notices ..... 11
15. Other Remedies ..... 11
16. Waiver ..... 11
17. Time of Essence ..... 11
18. Successors and Assigns ..... 11
19. Headings ..... 12
20. Governing Law ..... 12
21. Amendments, Changes and Modifications ..... 12
22. Assignment ..... 12
23. Severability ..... 12
24. Secured Party Not Liable ..... 12
25. No Recourse ..... 12
26. Counterparts ..... 13
27. Continuing Assignment, Pledge and Security Interest ..... 13
28. Security Only ..... 13
29. Payments Set Aside ..... 13
30. Further Assurances ..... 13
31. Limitation of Liability of Secured Party ..... 13
32. Conflict with Indenture ..... 14
33. Agency Joinder ..... 14
34. Lessee Directs Agency to Sign ..... 14
35. No Provision Inconsistent with PA Lease or Consent Agreement ..... 14

This EQUIPMENT SECURITY AGREEMENT (this "Agreement"), dated as of July 1, 2002, among AMERICAN AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware (the "Lessee"), and NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State of New York (the "Agency" and, severally and not jointly with the Lessee, "Debtors"), and THE BANK OF NEW YORK, a New York banking corporation, as Trustee under the Indenture referred to below (the "Secured Party").

## WITNESSETH:

WHEREAS, the Debtors in consideration of the acceptance by the Secured Party of the security interests in the Collateral hereby created and of the purchase and acceptance of the Bonds by the Holders and owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Secured Party at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure, in the following order of priority, first, the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds according to their tenor and effect and the performance and observance by the Debtors of all the covenants expressed or implied herein and in the Bonds and, second, the payment to a Credit Facility Provider, if any, and the performance of the reimbursement and other obligations of the Lessee under any Credit Facility Agreement, collectively, the "Secured Obligations".

NOW, THEREFORE, in consideration of the premises set forth above and the mutual covenants contained herein, and FOR THE PURPOSE OF SECURING the payment and performance of the Secured Obligations, which Secured Obligations may increase, decrease and increase again, from time to time, the parties hereto hereby agree as follows:

1. Definitions and Other Provisions of Interpretation. For all purposes of this Agreement, except as otherwise expressly provided in this Agreement or unless the context otherwise requires, all terms used herein shall have the meanings set forth in Appendix A hereto.

2. Creation of Security Interest. (a) As security for the full payment, observance and performance when due (whether at stated maturity, by acceleration or otherwise) of any and all of the Secured Obligations now existing or hereafter arising, (i) the Lessee has bargained and sold and hereby irrevocably grants, bargains, sells, demises, releases, conveys, warrants, assigns, transfers, pledges, delivers, grants a continuing security interest, sets over and confirms unto the Secured Party forever, subject to the terms and conditions hereinafter set forth, all right, title and interest of the Lessee in the property, estates, rights and interests described generally in paragraphs (i) - (ix) below (except as to property, estates, rights and interests expressly excluded herefrom), whether now held or owned hereafter acquired and (ii) the Agency has bargained and sold and hereby irrevocably grants, bargains, sells, demises, releases, conveys, warrants, assigns, transfers, pledges, delivers, grants a continuing security interest, sets over and confirms unto the Secured Party forever, subject to the terms and conditions hereinafter set forth, all right, title and interest of the Agency, whether now held or owned or hereafter acquired in and to the property,

estates, rights and interests described generally in paragraphs (i)-(ix) below (except as to the Agency's Reserved Rights and any other property, estates, rights and interests expressly excluded herefrom by this Section 2) (all such property, estates, rights and interests hereby granted by the Lessee and the Agency not expressly excluded herefrom being hereinbefore and hereinafter collectively referred to as the "Collateral"):

(i) all automobiles, trucks, boats and other rolling stock or moveable personal property in which Debtor has an interest ("Rolling Stock"), including Rolling Stock any portion of which constitutes Financed Property and IDA Equipment for which the title thereto is evidenced by a certificate of title issued by the United States or a state that permits or requires a lien thereon to be evidenced upon such certificate, in which the Debtor now or at any time in the future may have an interest in connection with the Project or the Leased Facilities. In connection therewith, the Lessee shall provide the Secured Party with (A) all lien entry forms and similar documents, duly completed, executed and acknowledged, (B) the certificates of title to such Rolling Stock and (C) such other information or documents, in each case, to the extent required or reasonably desirable in order to enable the Secured Party to perfect the lien granted hereunder on such Rolling Stock. Upon execution of such lien entry forms and other documents by the Secured Party, the Lessee shall, at the sole cost and expense of the Lessee, cause such lien entry forms and other documents to be presented to the appropriate authorities in order to perfect the lien granted hereunder on such Rolling Stock for the benefit of the Secured Party;

(ii) all proceeds of and any prepaid premiums on any insurance policies covering the Collateral, including the right to receive the proceeds of any insurance, judgments or settlements made in lieu thereof for damage to the Collateral;

(iii) any and all of the estate, right, title and interest of each Debtor in all machinery, apparatus, equipment, trade fixtures, personal property, and fittings, which are in the nature of personal property and other personal property of every kind and nature whatsoever owned by either of them any portion of which constitutes Financed Property and IDA Equipment, or in which either of them has or shall have an interest, now or hereafter located upon or used (temporarily or permanently) or usable on or in connection with the Leased Facilities or appurtenances thereto, and all equipment, materials and supplies of any nature whatsoever, owned by either of them any portion of which constitutes Financed Property and IDA Equipment, or in which either of them has or shall have an interest, now or hereafter located upon the Leased Facilities and all renewals, replacements and substitutions thereof and additions thereto owned by any of them or in which any of them has or shall have an interest, including any and all partitions, ducts, shafts, pipes, radiators, conduits, wiring, interconnection facilities, transmission lines, floor coverings, awnings, motors, engines, boilers, stokers, pumps, dynamos, transformers, turbines, generators, fans, blowers, vents, switchboards, elevators, mail or coal conveyors, compressors, furnaces, cleaning equipment, sprinkler systems, fire extinguishing apparatus, water and other tanks, heating, ventilating, plumbing, laundry, incinerating, air conditioning and air cooling systems, water, gas, telephone, telecommunications, telemetry and electric equipment and all other equipment (as defined in the Uniform Commercial Code on the date hereof), appliances,

appurtenances and accessions related thereto any portion of which constitutes Financed Property and IDA Equipment, and the estate, right, title and interest of either of them in and to any of the foregoing that may be subject to any security agreements (as defined in the Uniform Commercial Code) superior in lien to the lien of this Agreement;

(iv) any and all of the estate, right, title, interest, claim or demand of any nature whatsoever of the Lessee, in law or in equity, in and to all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Collateral, from the exercise of the right of eminent domain, condemnation or otherwise (including any transfer made in lieu of the exercise of said right), changes of grade of street or for any other injury to or decrease in the value of the Collateral now or hereafter located thereon, whether direct or consequential, which said awards and payments are hereby assigned, and the Secured Party is hereby authorized to collect and receive the proceeds thereof (which shall be applied according to the provisions of the Indenture and the IDA Lease Agreement) and to give proper receipts and acquaintances therefor;

(v) any and all of the estate, right, title, interest, claim or demand of any nature whatsoever of the Lessee, in law or in equity, in and to all refunds or rebates of taxes or charges in lieu of taxes, now or hereafter assessed or levied against the Collateral (which shall be applied according to the provisions of the Indenture and the IDA Lease Agreement);

(vi) any and all of the estate, right, title, claim, demand and interest of each Debtor in and to all franchises, licenses, concessions, permits, contracts and other agreements (other than Agency Reserved Rights) affecting the use or occupancy of the Collateral, or any part thereof, now or hereafter entered into and any renewals or extensions thereof and all right, title and interest of any of them thereunder, including the right to receive the issues and profits of the Collateral (subject to the terms and conditions hereinafter set forth);

(vii) to the extent permitted by law, the nonexclusive right, in the name and on behalf of each Debtor (at the sole cost and expense of the Lessee), to appear in and defend any action or proceeding brought with respect to the estate, right, title or interest of any of them in and to the Collateral and to commence any action or proceeding to protect the estate, right, title or interest of the Secured Party in and to the Collateral (subject, however, to the provisions of this Agreement hereinafter set forth and the provisions of the Indenture and the IDA Lease Agreement);

(viii) any and all right, title and interest hereafter acquired by each Debtor in and to any and all of the property described in paragraphs (i) through (viii) above and pledged by the respective Debtors thereunder; and

(ix) to the extent not included in the foregoing, all proceeds, products and accessions of and to any and all of the foregoing, including "proceeds" (within the meaning of the Uniform Commercial Code) and whatever is received upon any collection, exchange, sale or other disposition of any of the Collateral, and any property

into which any of the Collateral is converted, whether cash or noncash proceeds, and any and all other amounts paid or payable under or in connection with any of the Collateral.

Notwithstanding the foregoing, the Security Interest granted hereby in favor of the Secured Party shall be released without condition (i) with respect to any item of Collateral, if the Lessee exercises any of its rights to sell, substitute or replace any such item of Collateral pursuant to Section 8.1 of the IDA Lease Agreement, (ii) if the Debtors, each of their respective successors or assigns, shall well and truly pay, or cause to be paid, the Secured Obligations at the times and in the manner provided in the Indenture or (iii) if the Port Authority shall purchase the Facility in accordance with Section 92(v) of the PA Lease.

In addition, notwithstanding the foregoing, the Security Interest granted hereby shall in no event include any Agency Reserved Rights.

It is the intention of the parties that the foregoing description of the Collateral shall be sufficient to enable the Secured Party to take possession of, or foreclose upon, all of the right, title and interest of each Debtor in and to the Collateral and any and all property, tangible and intangible, used or useable in connection therewith, and to enable the Secured Party or its designee to, in accordance with the terms hereof, operate, sell or otherwise dispose of the entire interest of such Debtor in and to the Collateral, or any part thereof, during the occurrence and continuation of an Event of Default under the Indenture; provided, however, that all of the Collateral is hereby assigned to the Secured Party solely as security, and the Secured Party shall have no duty, liability or obligation whatsoever to such Debtor with respect to any of the Collateral, unless the Secured Party so elects in writing consistent with its rights under this Agreement.

(b) This Agreement secures, in accordance with the provisions hereof, the Secured Obligations.

3. Representations, Warranties and Covenants of Lessee. The Lessee hereby represents, warrants and covenants as follows:

(a) The Security Interest granted and created pursuant to this Agreement is a legal and valid security interest in the Collateral now owned by the Lessee or hereafter acquired.

(b) The Security Interest granted and created pursuant to this Agreement (i) with respect to such of the Collateral in which a security interest may be perfected by the filing of a Financing Statement under the Uniform Commercial Code (other than the Collateral referred to in clause (ii) below) will, upon the filing of the necessary Financing Statements in all appropriate jurisdictions, create a perfected first priority security interest in such Collateral now owned by the Agency or the Lessee as agent of the Agency or hereafter acquired, prior and superior to all other liens (other than Permitted Encumbrances), (ii) with respect to the Collateral in which a security interest may be perfected by the Secured Party's having possession or control of such Collateral will, upon the Secured Party's taking possession or control, as applicable, of such Collateral, create a perfected first priority security interest in such Collateral now owned by the Agency or the Lessee as agent for the Agency or hereafter acquired, prior and superior to all other liens (other than Permitted encumbrances) and (iii) with respect to all of the other

Collateral to which the Uniform Commercial Code is applicable will, upon the Lessee as agent for the Agency marking its books and records or providing notice to perfect or evidence the Secured Party's security interest therein, create a perfected first priority security interest in such Collateral now owned by Agency or the Lessee as agent for the Agency or hereafter acquired, prior and superior to all other liens (other than Permitted Encumbrances).

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority, any regulatory body or any other Person is required of the Lessee with respect to the execution, delivery, perfection and performance of, or the grant of the Security Interest pursuant to, this Agreement (other than the filing of the Financing Statements referred to in Section 3(b) and such authorizations, approvals and other actions that have been obtained and are in full force and effect).

(d) The Lessee shall notify the Secured Party promptly in writing of any claim against the Collateral adverse in any material respect to the interest of the Secured Party hereunder.

(e) The Lessee agrees that from time to time upon the request of the Secured Party, and as agent of the Agency, the Lessee will, at its sole cost and expense, promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or advisable, or that the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby in the Collateral, maintain, preserve and protect the Collateral, or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, the Lessee as agent of the Agency will (i) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Secured Party hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Secured Party, (ii) execute and file such financing or continuation statements, or amendments thereto and assignments thereof, and such other instruments, endorsements or notices, as may be necessary, or as the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby and (iii) mark its books and records or provide notice to perfect or evidence the Secured Party's security interest in such part of the Collateral (if any) in which the Secured Party's security interest cannot be perfected by filing. Lessee hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relating to all or any part of the Collateral without the signature of the Lessee where permitted by law.

(f) The Lessee shall keep and maintain, at its sole cost and expense. satisfactory and complete records of the Collateral. The Lessee shall furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral (including such file search reports from such Uniform Commercial Code and other filing and recording offices and such opinions of counsel relating to the Collateral and the attachment and perfection of the Security Interest) as the Secured Party may request. The Lessee's chief executive office and principal place of business is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155; the Lessee shall promptly notify the Secured Party of any change of the foregoing.

(g) The Lessee shall not create, incur or permit to exist, and shall defend the Collateral and its other property against and take such other action as is necessary to remove, any lien or claim on or to the Collateral and its other property, other than Permitted Encumbrances, and will defend the right, title and interest of the Secured Party in and to any of the Collateral and its other property against the claims and demands of all Persons whomsoever. Except with respect to Permitted Encumbrances, none of the Debtors shall file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral and its other property in which the Secured Party is not named as the sole secured party.

(h) The Lessee shall notify the Secured Party promptly if any tangible, material items of Collateral, or any material items that are to become Collateral, are to be stored for any length of time (other than temporary storage incident to transportation to the Leased Facilities) in any location other than the Leased Facilities. The notice shall specify, in such detail as is required by the Secured Party, (i) the items that are to be stored, (ii) the location at which such items are to be stored and the name and address of the owner and operator of the storage facility, (iii) the length of time that such items are to be stored at such location and (iv) the name of the Person who is the owner of such items. To the extent necessary, the Lessee shall execute additional security agreements, financing statements and other related documents, covering the items that are to be stored, so as to perfect a first priority security interest therein in favor of the Secured Party. If for any reason a first priority security interest cannot be perfected in the items stored or to be stored, the Lessee shall promptly transport such items to the Leased Facilities. Upon instructions from the Secured Party, the Lessee shall obtain such additional insurance on the Collateral stored at any location other than the Leased Facilities as the Secured Party, reasonably deems necessary, consistent with the requirements of the Security Documents, to protect the Secured Party's interests.

(i) The Lessee shall not change its name or identity in any manner or change the location of its principal place of business or chief executive office, or conduct any business or operations in or from any office or location other than that set forth in subsection (f) hereto unless it shall have given the Secured Party at least 60 days' prior written notice thereof and shall have taken, at the Lessee's expense, all action necessary or requested by the Secured Party in order to continue the perfection and priority of the liens and security interests in the Collateral intended to be created by this Agreement.

4. Covenants of Agency. The Agency agrees that from time to time upon the request of the Secured Party, at the sole cost and expense of the Lessee, to promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or advisable, or that the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby in the Collateral, maintain, preserve and protect the Collateral, or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, the Agency will (i) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Secured Party hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Secured Party, (ii) execute and file such financing or continuation statements, or amendments thereto and assignments thereof, and such other

instruments, endorsements or notices, as may be necessary, or as the Secured Party may request, in order to perfect, maintain, preserve and protect the Security Interest granted or purported to be granted hereby and (iii) mark its books and records or provide notice to perfect or evidence the Secured Party's security interest in such part of the Collateral (if any) in which the Secured Party's security interest cannot be perfected by filing. The Agency hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relating to all or any part of the Collateral without the signature of the Agency where permitted by law.

5. Default. The occurrence and continuation of an Event of Default under the Indenture shall be deemed a "Security Agreement Event of Default" under this Agreement.

6. Rights and Remedies During Security Documents Event of Default. (a) During a Security Agreement Event of Default, the Secured Party may, in accordance with its obligations under the Indenture, do one or more of the following:

(i) upon notice to the Debtors, which notice need not be in writing (but which notice shall promptly be confirmed in writing), make such payments and do such acts in accordance with its obligations under the Indenture, to protect, maintain, preserve, perfect or continue the perfection of the Security Interest in the Collateral and to maintain, preserve and protect the Collateral, including paying, purchasing, contesting or compromising any lien that is, or purports to be, prior to or superior to the Security Interest granted hereunder, and commencing, appearing or otherwise participating in or controlling any action or proceeding purporting to affect the Security Interest in or ownership of the Collateral;

(ii) foreclose this Agreement as herein provided or in any manner permitted by law and exercise any and all of the rights and remedies conferred upon the Secured Party by the Security Documents either concurrently or in such order as the Secured Party may determine without affecting the rights or remedies to which the Secured Party may be entitled under the Security Documents;

(iii) require the Lessee to, and the Lessee hereby agrees that it will, at its sole expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party or any other party designated by the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties;

(iv) without notice or demand or legal process, enter upon or cause its agents or assigns to enter the Facility or any other premises of the Lessee and take possession of the Collateral or operate the Facility;

(v) without notice, except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, at such time or times, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Secured Party may deem commercially reasonable. The Debtors agree that, to the extent notice of sale shall be

required by law, at least ten days notice to the Debtors of the time and the place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. At any sale of the Collateral, if permitted by law, the Secured Party may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof for the account of the Secured Party. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Debtor authorizes the Secured Party, at any time and from time to time, to execute, in connection with a sale of the Collateral pursuant to the provisions of this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(vi) exercise with respect to the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party after default under the Uniform Commercial Code.

(b) The proceeds of any sale or realization of the Collateral shall be applied in accordance with Section 8.03 of the Indenture.

(c) The Secured Party may consult, at the Lessee's expense, with counsel (who may or may not be counsel to the Lessee), and the opinion of such counsel shall be full and complete authorization and protection, and the Secured Party shall be entitled to conclusively rely on the opinion of such counsel, in respect of any action taken or not taken or suffered by the Secured Party under this Agreement.

7. Security Interest Absolute. Subject to Sections 25, 31 and 33, all rights of the Secured Party hereunder, the Security Interest and all obligations of the Debtors hereunder shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Security Document, any of the Collateral or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from any of the Security Documents or any of the Collateral;

(c) any exchange, release or non-perfection of any Collateral or any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Secured Obligations; or

(d) to the fullest extent permitted by law, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Lessee, the Agency or any third party pledgor.

8. Attorney-in-Fact. Each Debtor, until payment in full of the Secured Obligations, irrevocably constitutes and appoints the Secured Party, and any other Person that the Secured

Party may designate, to act, upon the occurrence and during an Event of Default, as such Debtor's attorney-in-fact (which appointment as attorney-in-fact shall be coupled with an interest and be irrevocable), with full authority in the place and stead of such Debtor and in the name of such Debtor or otherwise, from time to time in the Secured Party's discretion and to take any action and to execute any and all documents and instruments that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to receive, endorse and collect all instruments made payable to such Debtor representing any dividends, interest payments or other distributions constituting Collateral or any part thereof and to give full discharge for the same and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any and all of such dividends, payments or other distributions;

(b) and to pay or discharge taxes and liens levied or placed on the Collateral;

(c) (i) to direct any party liable for any payment under or with respect to any of the Collateral to make payment of any and all monies due or to become due thereunder or with respect thereto directly to the Secured Party or as the Secured Party shall direct, (ii) to ask or demand for, to collect and to receive payment of and receipt for any and all monies, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (iii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral, (iv) to defend any suit, action or proceeding brought against such Debtor with respect to any Collateral, (v) to settle, compromise or adjust any suit, action or proceeding described in clauses (iii) and (iv) above and, in connection therewith, to give such discharges or releases as the Secured Party may deem appropriate and (vi) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes and to do, at the Secured Party's option and at the Lessee's sole cost and expense, at any time, or from time to time, all acts and things that the Secured Party deems necessary to protect, maintain, preserve or realize upon the Collateral and the Security Interest granted herein and to effect the intent of this Agreement, all as fully and effectively as such Debtor might do.

Each Debtor hereby ratifies all that the Secured Party shall do or cause to be done as such Debtor's attorney-in-fact consistent with the foregoing. Each Debtor also authorizes the Secured Party, during a Security Agreement Event of Default, to communicate in its own name with any party to any Project Document at any time, with regard to any matter relating to such Project Document.

9. Secured Party May Perform. The Secured Party without releasing the Debtors from any obligation, covenant or condition hereof, itself may (but shall not be obligated to), during any Security Agreement Event of Default, make any payment or perform, or cause the performance of, any such obligation, covenant, condition or agreement or any other action in such manner and to such extent as the Secured Party may deem necessary to protect, perfect, maintain, preserve or continue the perfection of the Security Interest in the Collateral or to

protect, maintain or preserve the Collateral. Any costs or expenses incurred by the Secured Party in connection with the foregoing, including reasonable attorneys' fees and expenses, shall constitute a part of the Secured Obligations, and shall be payable upon demand by the Secured Party, as the case may be.

10. Indemnification; Subrogation; Waiver of Offset. (a) The Lessee shall indemnify the Secured Party solely in its capacity as Secured Party hereunder from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement or the Collateral or any part thereof (including enforcement of this Agreement, but excluding any such claims, losses or liabilities resulting from the Secured Party's negligence or willful misconduct).

(b) The Debtors waive any and all right to claim or recover against the Secured Party in its capacity as the Secured Party hereunder, and its directors, officers, employees, agents and representatives, for loss of or damage to the Debtors, the Collateral, the Debtors' property or the property of others under the Debtors' control from any cause to the extent insured against or required to be insured against by the provisions of the Security Documents, except for such loss or damage to the extent due to negligence or willful misconduct of the Secured Party or its directors, officers, employees or representatives.

11. Reasonable Care. The Secured Party shall exercise the same degree of care hereunder as it exercises or would exercise in connection with similar transactions for its own account. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords or would accord collateral held by the Secured Party in similar transactions for its own account.

Without limiting the generality of the foregoing and except as otherwise provided by applicable law, the Secured Party shall not be required to marshal any collateral, including the Collateral subject to the Security Interest created hereby, or to resort to any item of Collateral in any particular order; and all of the Secured Party's rights hereunder and in respect of such Collateral shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, each Debtor hereby agrees that it will not invoke any law relating to the marshaling of collateral that might cause delay in or impede the enforcement of the Secured Party's rights under this Agreement or under any other instrument evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or guaranteed.

12. Waivers of Rights Inhibiting Enforcement. Each Debtor waives (a) any claim that, as to any part of the Collateral, a public sale, if such Debtor elects so to proceed, is, in and of itself, not a commercially reasonable method of sale for such Collateral, (b) the right to assert in any action or proceeding between it and the Secured Party (solely in its capacity as Secured Party hereunder) any offsets or counterclaims that it may have, (c) except as otherwise provided in any of the Security Documents, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE SECURED PARTY'S TAKING POSSESSION OR DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT THAT EACH DEBTOR WOULD OTHERWISE

HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, AND ALL OTHER REQUIREMENTS AS TO THE TIME, PLACE AND TERMS OF SALE OR OTHER REQUIREMENTS WITH RESPECT TO THE ENFORCEMENT OF THE SECURED PARTY'S RIGHTS HEREUNDER, (d) all rights of redemption, appraisement, valuation, stay and extension or moratorium, (e) to the extent permitted by law, the benefits of all laws referred to in Section 11 and (f) all other rights the exercise of which would, directly or indirectly, prevent, delay or inhibit the enforcement of any of the rights or remedies under the Security Documents or the absolute sale of the Collateral, now or hereafter in force under any applicable law, and each Debtor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws and rights.

13. No Duty on Secured Party's Part. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for amounts that it receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtors for any act or failure to act hereunder, except for its own negligence or willful misconduct.

14. Notices. All notices, demands, requests and other communications required or permitted hereunder shall be in writing and shall be given and deemed to have been given in accordance with Section 13.03 of the Indenture.

15. Other Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The Secured Party shall have all of the rights and remedies granted under the Security Documents and available at law or in equity, and these same rights and remedies may be pursued separately, successively or concurrently against the Debtors or any collateral under the Security Documents, at the sole discretion of the Secured Party. The application of the Collateral to satisfy the Secured Obligations pursuant to the terms hereof shall not operate to release the Lessee from its Secured Obligations until payment in full of any deficiency has been made in cash.

16. Waiver. By exercising or failing to exercise any of its rights, options or elections hereunder (without also expressly waiving the same in writing), the Secured Party shall not be deemed to have waived any breach or default on the part of the Lessee or to have released the Lessee from any of its obligations secured hereby. No failure on the part of the Secured Party to exercise, and no delay in exercising (without also expressly waiving the same in writing), any right, power or privilege shall preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

17. Time of Essence. TIME IS OF THE ESSENCE WITH RESPECT TO EACH AND EVERY COVENANT, AGREEMENT AND OBLIGATION UNDER THIS AGREEMENT.

18. Successors and Assigns. All covenants, agreements, representations and warranties in this Agreement by the parties hereto shall bind and, to the extent permitted hereby,

shall inure to the benefit of and be enforceable by their respective successors and assigns, whether so expressed or not.

19. Headings. The captions, headings and table of contents used in this Agreement are for convenience only and shall not affect the construction hereof.

20. Governing Law. THE RIGHTS AND DUTIES OF EACH DEBTOR AND THE SECURED PARTY SHALL, PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF (OTHER THAN SUCH SECTION 5-1401), EXCEPT THAT SUCH LAW SHALL NOT APPLY WITH RESPECT TO ANY COLLATERAL WHERE, AND TO THE EXTENT THAT, IT IS NECESSARY TO APPLY THE LAWS OF ANOTHER JURISDICTION TO PERFECT LIENS RELATING TO THE SECURED OBLIGATIONS.

21. Amendments, Changes and Modifications. This Agreement may not be amended or terminated except as permitted by Article XII of the Indenture.

22. Assignment. The Secured Party may assign this Agreement to any successor Trustee under and in accordance with the Indenture. The appointment and replacement hereunder of the Secured Party shall be governed by Article IX of the Indenture .

23. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization, without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

24. Secured Party Not Liable. Neither this Agreement nor any action on the part of the Secured Party (other than an express written assumption) shall constitute an assumption by the Secured Party of any of the obligations of the Lessee related to any of the Collateral, and the Lessee shall continue to be liable for all such obligations whether incurred before or after a Security Agreement Event of Default.

25. No Recourse. With respect to the Agency, it is agreed that the Agency, its officers, members, employees, agents and directors shall have no personal liability hereunder, nor in their capacity as officers, members, employees, agents and directors. All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of any of the Secured Obligations or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Agency or any natural person executing this Agreement. No covenant herein contained shall be deemed to constitute a debt of the State of New York or of The City of New York and neither the State of New York nor The City of New York shall be liable on any covenant herein contained, nor shall the obligations secured by this Agreement be payable out of any funds of the Agency, other than those pledged therefor.

26. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

27. Continuing Assignment, Pledge and Security Interest. This Agreement shall create a continuing assignment, pledge and security interest in the Collateral and shall remain in full force and effect for the benefit of the Secured Party until the satisfaction in full of the Secured Obligations. Except as set fourth in Section 29, upon the payment in full of the Secured Obligations and all other amounts owing to the Secured Party under the Security Documents, the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to each Debtor as the case may be. In connection with such termination, the Secured Party shall execute such instruments of release prepared by each Debtor as such Debtor shall reasonably request at the Lessee's sole cost and expense.

28. Security Only. This Agreement is granted for security purposes only. Accordingly, the Secured Party shall not enforce its rights with respect to the Collateral other than during an Event of Default.

29. Payments Set Aside. To the extent that either Debtor or any other Person on behalf of such Debtor makes a payment or payments to the Secured Party, or the Secured Party enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or Federal law, common law or equitable cause, then, to the extent of such recovery, the Secured Obligations, or any part thereof originally intended to be satisfied, and this Agreement and all liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

30. Further Assurances. The Debtors shall, at the Lessee's sole cost and without expense to the Secured Party or the Agency, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, assignments, notices of assignment, transfers and assurances as the Secured Party shall, from time to time, reasonably require for better assuring, conveying, assigning, transferring and confirming unto the Secured Party the property hereby conveyed, or assigned or intended now or hereafter so to be, or that the Lessee may be or hereafter become bound to convey or assign to the Secured Party, or for carrying out the intention or facilitating the performance of the terms of this Agreement, or for filing, registering or recording this Agreement.

31. Limitation of Liability of Secured Party. Notwithstanding anything to the contrary contained herein or in any of the other Security Documents, this Agreement has been executed by The Bank of New York not in its individual capacity but solely as the Secured Party in its capacity as Trustee under the Indenture and, except in the case of its negligence or willful misconduct, The Bank of New York in its individual capacity shall have no liability for the representations, warranties, covenants, agreements or other obligations of the Secured Party hereunder or in any certificates, notices or agreements delivered pursuant hereto. For all purposes of this Agreement, in the performance of its duties or obligations hereunder, the

Secured Party shall be subject to, and entitled to the benefits of, the terms and provisions of Article IX of the Indenture.

32. Conflict with Indenture. Notwithstanding anything to the contrary contained herein or in any of the other Financing Documents, all rights, duties, obligations and indemnities of the Secured Party hereunder (including the standard of care pursuant to which it acts) shall be governed by the provisions of the Indenture, including the exercise of any and all remedies hereunder. In the event of a conflict between this Agreement and the Indenture, the provisions of the Indenture shall control.

33. Agency Joinder. The Secured Party acknowledges and agrees that the Agency is joined as a party to this instrument solely for the purpose of conveying its right, title, interest and estate in and to the Collateral to the lien, encumbrance and effect of this Agreement, as security for the Secured Obligations, but the Agency shall not be responsible for paying any sums of money or taking any affirmative actions whatsoever under or pursuant to the terms of this Agreement to perform any covenants or obligations hereunder or to comply with any conditions or requirements hereunder. No provision, covenant or agreement contained in this Agreement or any obligations herein imposed upon the Agency or the breach thereof, shall constitute or give rise to or impose upon the Agency a pecuniary liability or a charge upon its general credit, and no money judgment shall ever be sought or obtained by the Secured Party against the Agency for any liabilities or obligations under this Agreement. The Secured Party also agrees with the Agency that prior to exercising any rights or remedies against the Collateral hereunder, the Secured Party shall give written notice to the Agency specifying the nature of any breach or default hereunder, and permit the Agency to cure such breach or default within the period permitted for the Lessee.

34. Lessee Directs Agency to Sign. The Lessee directs the Agency to execute and deliver this Agreement to the Secured Party, and further agrees to indemnify the Agency (and its members, officers, directors, agents, servants and employees) in connection with the execution, delivery, recording, filing, performing and enforcing of this Agreement in accordance with the provisions of Section 6.2 of the IDA Lease Agreement which provisions are incorporated by reference herein.

35. No Provision Inconsistent with PA Lease or Consent Agreement. No term or provision of, or any rights created hereunder, shall require or result in the Lessee being in breach of the PA Lease or the IDA, the Trustee or the Lessee being in breach of the Consent Agreement, and any term or condition of the Equipment Security Agreement that is contrary to or is inconsistent or conflicts with the PA Lease and/or the Consent Agreement shall be and shall be deemed to be for all purposes null, void and of no force or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

AMERICAN AIRLINES

By: _____
Name: Leslie M. Benners
Title: Managing Director
Corporate Finance and Banking

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

THE BANK OF NEW YORK, a New York
banking corporation, as Secured Party hereunder

By: _____
Name. Beverly Gardner
Title: Assistant Treasurer

# APPENDIX A

## DEFINITIONS

Accounts or Subaccounts shall mean those accounts or subaccounts established pursuant to Section 5.01 of the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

Act or Sales and Use Tax Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), in effect on the effective date of the IDA Lease Agreement, and Chapter 1082 of the 1974 Laws of New York, as amended through the date of the IDA Lease Agreement.

Act of Bankruptcy shall mean the commencement of a bankruptcy or similar proceeding by or against the Lessee or the Guarantor, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Lessee or the Guarantor or a substantial part of the assets of the Lessee or the Guarantor, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Lessee or the Guarantor or any substantial part of any of the properties of the Lessee or the Guarantor.

Additional Bonds shall mean all Series of Bonds that are issued by the Agency subsequent to the issuance of the Series 2002 Bonds, in accordance with the terms and conditions of Section 6.2 of the Consent Agreement, pursuant to the IDA Lease Agreement and the Indenture to finance Project Costs.

Affiliate shall mean any Person under common control with the Lessee. "Control" (including the related term "under common control with") of a Person shall exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Lessee to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under Sections 2.5, 3.2, 4.3, 4.4, 4.5, 4.6, 6.1, 6.2, 6.3, 6.6, 6.7(b)(3), 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 7.7, 8.1, 8.1A, 9.3, 9.10, 9.13, 9.17 and 9.19 of the IDA Lease Agreement; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under Section 7.1 of the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

Airport shall mean John F. Kennedy International Airport in Queens, New York.

Alternate Credit Facility shall mean 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 accordance with the Indenture.

American Guaranty or Lessee Guaranty shall mean the guaranty dated as of July 1, 2002 from the Lessee to the Trustee.

AMR shall mean AMR Corporation, the parent corporation of the Lessee and a corporation organized and existing under the laws of the state of Delaware, and its successors and assigns.

AMR Guaranty shall mean the guaranty dated as of July 1, 2002 from AMR to the Trustee.

Applicable as used with respect to a Series of Bonds shall mean (i) with respect to any Bond Purchase Fund, Construction Account, Capitalized Interest Account, Lessee Payments Account, Principal Account, Interest Account, Redemption Account, Sinking Fund Installment Account, Credit Facility Account or an Account held within the Debt Service Reserve Fund, the Fund or Account so designated and established by the Applicable Series Supplemental Indenture authorizing such Series of Bonds, (ii) with respect to any Debt Service Reserve Account Requirement, the Debt Service Reserve Account Requirement established in connection with such Series of Bonds by the Indenture, (iii) with respect to any Series Supplemental Indenture, the Series Supplemental Indenture relating to such Series of Bonds authorized thereby, (iv) with respect to a Credit Facility Issuer, the respective Credit Facility Issuer, if any, providing a Credit Facility with respect to such Series of Bonds (v) with respect to a Credit Facility, the Credit Facility, if any, securing such Series of Bonds, (vi) with respect to a Bond Resolution, the Bond Resolution of the Agency authorizing the issuance of such Series of Bonds, (vii) with respect to a Tax Certificate, the particular Tax Certificate executed with respect to such Series of Bonds, (viii) with respect to the Purchase Price for such Series of Bonds, the Purchase Price specified in the Applicable Series Supplemental Indenture, and (ix) with respect to any IDA Lease Amendment, the IDA Lease Amendment entered into with respect to such Series of Bonds.

Approved Successor Lessee shall have the same meaning as defined in Section 92.

ATL or Agreement Towards Entering Into a Lease shall mean the Agreement Towards Entering Into a Lease dated as of July 31, 2002, between the City and the Lessee.

Authorized Denominations shall mean: (i) $100,000 and any integral multiple of $5,000 in excess thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002 Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Lessee, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Lessee to act on behalf of the Lessee by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Lessee and delivered to the other Notice Parties, and (iii) in the case of the Guarantor, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Guarantor to act on behalf of the Guarantor by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Guarantor and delivered to the other Notice Parties.

Bank Bonds with respect to a Series of Bonds shall have the meaning specified in the Applicable Series Supplemental Indenture.

Bankruptcy Code shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

Bankruptcy Counsel shall mean any counsel nationally recognized in bankruptcy matters which is independent of the Lessee and the Agency and which is reasonably acceptable to the Trustee.

Basic Lease shall mean the Agreement of Lease, dated April 17, 1947, as the same may now have been or may hereafter be amended, supplemented or extended, between the City and the Port Authority or any agreement in replacement or substitution thereof providing for the letting of the Airport or the Premises by the City to the Port Authority.

Bond Counsel shall mean Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

Bond Fund shall mean the Bond Fund established by Section 5.01 of the Indenture.

Bond Purchase Fund shall mean, with respect to a Series of Bonds, mean any Bond Purchase Fund created and held by the Tender Agent with respect to the tender and remarketing of such Series of Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution with respect to a Series of Bonds shall mean the resolution or resolutions of the Agency authorizing such Series of Bonds.

Bondholder, Holder of the Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean, collectively, the Series 2002 Bonds and Additional Bonds of the Agency authorized and issued pursuant to the Master Indenture and any Series Supplemental Indenture.

Book-Entry Bond shall mean 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.

Business Day shall mean any day which is not a Saturday, a Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Bonds of a Series secured by a Credit Facility, such term means any day which is not a Saturday, Sunday or legal holiday in the State or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, or the principal office of Credit Facility Provider, if any, for such Bonds is legally authorized to close.

Capitalized Interest Account shall mean any special trust account of the Project Fund so designated, established pursuant to Section 5.01 of the Indenture.

City shall mean The City of New York.

City-American Lease shall mean the lease agreement, if any, between the City and the Lessee entered into pursuant to the ATL.

Code shall mean the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder.

Commencement of City-American Lease Term shall mean the date following the day after the expiration, but not the earlier termination, of the Lessee's interest under the PA Lease.

Company Sublease shall mean the Company Sublease Agreement of even date herewith between the Lessee and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Consent Agreement shall mean the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among the Lessee, the Agency, AMR, the Trustee and the Port Authority, as the same may be amended and supplemented from time to time pursuant to its terms.

Consent Protections shall mean the Mortgage and Consent Protections as defined in the ATL.

Construction Account shall mean any special trust account of the Project Fund so designated and established pursuant to Section 5.01 of the Indenture.

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

Costs of Issuance shall mean (i) all reasonable costs incurred in connection with the issuance of a Series of Bonds including, but not limited to, legal, financial, consulting and accounting fees and expenses, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of Bond Counsel, the fees and expenses of rating agencies, expenses incurred in the preparation of the Security Documents, the financing statements, any disclosure document and any other documents necessary for the issuance of a Series of Bonds and (ii) any other cost incurred in connection with the issuance of a Series of Bonds that constitutes an "issuance cost" within the meaning of section 147(g) of the Code.

Credit Facility shall mean (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 Applicable Series Supplemental Indenture and (ii) any Alternate Credit Facility. The Guaranty is not a Credit Facility

Credit Facility Agreement shall mean any agreement to provide credit support or liquidity with respect to a Series of Bonds between the Credit Facility Provider and the Lessee.

Credit Facility Provider shall mean the issuer of any Credit Facility or Alternate Credit Facility and any successors thereto.

Credit Facility Provider Certificate of Assumption shall have the same meaning as set forth in the Consent Agreement.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established by Section 5.01 of the Indenture.

Debt Service Reserve Account Requirement shall mean, with respect to each Series of Bonds, the amount, if any, required by any Series Supplemental Indenture authorizing the issuance of such Series of Bonds, to be deposited and maintained in the Account within the Debt Service Reserve Fund established with respect to such Series of Bonds.

Depository shall mean 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 authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

Determination of Taxability shall mean with respect to any Series of Tax-Exempt Bonds (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Lessee has participated or has been given the opportunity to participate, and which ruling or memorandum the Lessee, 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 the Lessee 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 Agency and the Lessee of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Lessee to observe any covenant or agreement of the Lessee in the IDA Lease Agreement or any Applicable Tax Certificate or the inaccuracy of any Lessee representation or warranty therein, the interest payable on the Bonds of such Series is includable in the gross income of the holders thereof for federal income tax purposes, other than a Person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code; *provided, however*, that no such Determination of Taxability described in (a) or (b) shall be considered to exist unless (i) the registered or beneficial owner or former registered or beneficial owner of such Series of Bonds involved in such proceeding or action (A) gives the Lessee and the Trustee prompt notice of the commencement thereof and (B) (if the Lessee agrees to pay all expenses in connection therewith) offers the Lessee the opportunity to control unconditionally the defense thereof and (ii) either (A) the Lessee does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Lessee shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or

rehearing of such decree, judgment or action which the Lessee determines to be appropriate, and no such Determination of Taxability described in (c) above shall be considered to exist if the Lessee gives the Agency prompt written notice of its intent to obtain (at the Lessee's expense) a second opinion and within 60 days of the receipt of the opinion described in (c) delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bond 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) does not adversely affect the exclusion of interest on the Bonds of such Series from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Lessee in the second opinion); *provided, further,* no Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes.

Eligible Affiliate shall mean any Person controlled by the Lessee. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

Eligible Personalty shall mean machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Lessee, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

Equipment Security Agreement shall mean the Equipment Security Agreement dated as of July 1, 2002 with respect to the Bonds among the Lessee, the Agency and the Trustee.

Event of Default with respect to any default under the IDA Lease Agreement, shall have the meaning specified in Section 7.1 of the IDA Lease Agreement and with respect to any default under the Indenture, shall have the meaning specified in Section 8.01 of the Indenture.

Facility shall mean, collectively, the Leased Facilities and the Facility Equipment.

Facility Equipment shall mean such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is financed from Bond proceeds and/or undertaken by use of the Sales Tax Letter or the Preliminary Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Premises [or in connection with the Premises] by the Lessee, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all

property substituted for or replacing items of Facility Equipment in accordance with the provisions of Sections 5.1 and 8.1 of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

Facility Improvement Materials shall mean construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Lessee exclusively for the Project.

Facility Provider shall mean the issuer of a Credit Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Indenture or any Series Supplemental Indenture.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Agency, the Credit Facility Provider, if any, the Lessee and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and, if taken with respect to Tax-Exempt Bonds, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Financed Property shall mean those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

Findings Assessment shall have the same meaning as defined in Section 1.4(b) of the IDA Lease Agreement.

Fiscal Year of the Lessee shall mean a year of 365 or 366 days, as the case may be, commencing on January 1 and ending on December 31, or such other year of similar length as to which the Lessee shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Foreclosure Payment Account shall mean any special trust account of the Mortgage Reserve Fund so designated established pursuant to, by Section 5.01 of the Indenture.

Foreclosure Payment Account Requirement shall mean $18,600,000.

Funds shall mean those Funds established pursuant to Section 5.01 of the Indenture and any Funds established pursuant to any Series Supplemental Indenture.

Gap Differential shall have the same meaning as set forth in the Company Sublease.

General Airport Agreement shall have the same meaning as set forth in the PA Lease or any successor or replacement agreement or agreement covering the payment of flight fees, fueling fees and other matters described therein.

Government Obligations shall mean (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation

of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above, the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

Guarantor shall mean each of the Lessee and AMR and their respective successors and assigns under the Guaranty.

Guaranty shall mean collectively the Lessee Guaranty and the AMR Guaranty.

IDA Equipment shall have the same meaning as set forth in Section 3.6 of the IDA Lease Agreement.

IDA Lease Agreement shall mean the IDA Lease Agreement dated as of July 1, 2002 between the Agency and the Lessee, as amended by any and all IDA Lease Amendments thereto hereafter made in conformity herewith and with the Indenture.

IDA Lease Amendment shall mean any amendment to the IDA Lease Agreement entered into by and between the Lessee and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a Series of Additional Bonds or otherwise.

Indenture shall mean the Master Indenture together with any amendment or supplement thereto including any Series Supplemental Indentures.

Interest Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Interest Payment Date shall mean, with respect to a Series of Bonds, the Interest Payment Date specified in the Applicable Series Supplemental Indenture.

Interest Rate Period shall mean, 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.

Lease Payments Fund shall mean the Lease Payments Fund established by Section 5.01 of the Indenture.

Leased Facilities shall mean those certain facilities, structures, buildings, fixtures and improvements exclusive of Facility Equipment as shall constitute a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal to be

located at the Project Premises in the vicinity of Terminals 8 and 9 at John F. Kennedy International Airport in Queens County, New York such Project Premises as described in the Description of Leased Facilities in Exhibit B to the IDA Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

Leased Personalty shall mean one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with Section 2.1 of the IDA Lease Agreement, to be used exclusively for the Project by the Lessee, the Affiliates, and the Eligible Affiliates. Leased Personalty shall not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials, and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the PA Lease does not constitute Leased Personalty by virtue of the provisions of the PA Lease.

Leasehold Mortgage shall mean the Leasehold Mortgage and Security Agreement to be granted by the Lessee to the Leasehold Mortgagee, as contemplated by the Indenture and the IDA Lease Agreement, and shall include any and all amendments thereof and supplements thereto made in conformity therewith and herewith. All references to the Leasehold Mortgage shall be qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date.

Leasehold Mortgagee shall mean The Bank of New York and its successors and assigns under the Leasehold Mortgage.

Legal Requirements shall have the same meaning as defined in Section 4.6 of the IDA Lease Agreement.

Lessee shall mean American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware and authorized to do business in the State of New York and its permitted successors and assigns pursuant to Section 6.1 or 9.3 of the IDA Lease Agreement (including any surviving, resulting or transferee corporation as provided in Section 6.1 of the IDA Lease Agreement).

Lessee's Property shall have the same meaning as defined in Section 4.1(c) of the IDA Lease Agreement.

Loss Event shall have the meaning set forth for such term in Section 5.1 of the IDA Lease Agreement.

Maintenance Contracts shall mean contracts entered into by the Lessee as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Lessee, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

Major Release shall mean any release of any part of the Leased Facilities which does not constitute a Minor Release.

Master Indenture shall mean the Master Indenture of Trust dated as of July 1, 2002 by and between the Agency and the Trustee.

Minor Release shall mean a release of part of the Leased Facilities with respect to which (together with the parts of the Leased Facilities previously released) the Lessee certifies will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility on the Leased Facilities immediately prior to such release.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Lessee and the Trustee.

Mortgaged Premises shall have the meaning set forth for such term in Section 92.

Mortgage Recording Tax shall mean the tax imposed under Article II of the New York State Tax Law, as the same may be amended from time to time.

Mortgage Reserve Fund shall mean the Mortgage Reserve Fund established pursuant to Section 5.01 of the Indenture.

Multi-Modal Interest Rate Bonds shall mean Bonds the interest on which is subject to adjustment at a Variable Interest Rate or a Long-Term Interest Rate.

Net Proceeds shall mean, with respect to a particular Series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

New Basic Lease shall mean a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease Agreement shall be deemed to mean and refer to such New Basic Lease.

New Lease Effective Date shall mean the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof).

New Premises Lease shall mean either (i) a lease or leases entered into by the City or its designee with the Lessee for the Facility (and which is hereby deemed to include the City-

American Lease) commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof), or (ii) a lease or leases entered into by the lessee under the New Basic Lease and the Lessee for the Facility commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In the event a New Premises Lease is executed and delivered, all references in the IDA Lease Agreement, any Supplemental Lease Agreement and the other Security Documents to the PA Lease shall be deemed to mean and refer to such New Premises Lease, as the case may be. In the further event the Port Authority is the lessor under the New Premises Lease and the lessee under the New Basic Lease, the conditions set forth in clause (z) above shall be deemed satisfied if the Port Authority ratifies and confirms its consent to the IDA Lease Agreement.

Nonqualified Cost shall mean the Project Costs paid pursuant to Article V of the Indenture which are not Qualified Costs.

Notice Parties shall mean the Agency, the Lessee, the Trustee, each Paying Agent, each Remarketing Agent, each Tender Agent and each Credit Facility Provider, if any.

Opinion of Counsel shall mean a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Lessee, the Guarantor, any Credit Facility Provider or the Agency and who shall be reasonably acceptable to the Trustee.

Outstanding when used with reference to a Bond or Series of Bonds, as of any particular date or Series, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.01 of the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) non-callable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or Applicable Redemption Price of such Bond or Bonds (or portion thereof), together with accrued interest on such Bond or Bonds to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, provided, that, if such Bond or Bonds (or

portion thereof) is to be redeemed, notice of such redemption must have been given as provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to Section 3.07 of the Indenture and Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

*provided, however*, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Lessee or any Affiliate of the Lessee or the Agency will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Lessee or any Affiliate or Controlled Entity of the Lessee.

PA Lease shall mean the Agreement of Lease entered into as of August 1, 1976, bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Lessee, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "PA Lease" shall mean and include the foregoing agreement during any period when the City has become the lessor under the PA Lease in accordance with the provisions of the RNDA.

Paying Agent shall mean any paying agent for any Series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the ATL, the RNDA, the Basic Lease, the PA Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens 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 Sections 4.3, 4.6, or 6.7(b) of the IDA Lease Agreement;

(iv) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Lessee certifies to the Agency and the Trustee will not materially interfere with or impair the Lessee's use of the Facility as provided in the IDA Lease 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 normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(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, is being contested in good faith by appropriate proceedings), all if and to the extent permitted by Section 6.7 of the IDA Lease 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 liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(ix) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Lessee in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(x) subleases of the Facility permitted under Section 9.3 of the IDA Lease Agreement.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Port Authority shall mean The Port Authority of New York and New Jersey, a body corporate and politic established by Compact between the States of New York and New Jersey with the consent of the Congress of the United States of America, and its successors and assigns.

Possessory Rights and Remedies shall mean without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-

letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning, letting, or re-subletting of the Facility.

Preliminary Sales Tax Letter shall mean (i) the Preliminary Sales Tax Letter of the Agency dated July 27, 2000, (ii) the First Amended and Restated Preliminary Sales Tax Letter of the Agency dated, January 1, 2002 and (iii) the Second Amended and Restated Preliminary Sales Tax Letter of the Agency dated July 1, 2002.

Premises shall have the meaning set forth for such term in the PA Lease.

Premises Redevelopment Work shall mean the Redevelopment Work performed on the Mortgaged Premises.

Primary Term shall have the same meaning as set forth in Section 3.5 of the IDA Lease Agreement.

Principal Account shall mean any special trust Account of the Bond Fund so designated and established pursuant to Section 5.01 of the Indenture.

Prohibited Person shall mean (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Lessee or AMR, the felony conviction of AMR arising out of United States of America v. AMR Corporation, United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

Project shall mean solely with respect to the Premises Redevelopment Work, the demolition of Terminals 8 and 9 at John F. Kennedy International Airport in Queens, New York, the construction, acquisition, installation and equipping of the Facility by the Lessee, and the acquisition, construction, installation and equipping by the Lessee from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Lessee, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

Project Costs shall mean

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Lessee's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Credit Facility Provider, if any, each remarketing agent, if any, each tender agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a Series (or other indebtedness incurred by the Lessee for the construction of the Project) for the time specified in the Series Supplemental Indenture authorizing the issuance of such Series of Bonds;

(vii) all costs which the Lessee shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Lessee for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Lessee is required to pay under the PA Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in Section 1.5(c) of the IDA Lease Agreement, expenses for supervision by the officers or employees of the Lessee and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a Series of Bonds including soft costs and costs of the funding any amounts to be held in any Account of the Debt Service Reserve Fund; and

(ix) Costs of Issuance.

Project Fund shall mean the Project Fund established by Section 5.01 of the Indenture.

Project Premises shall mean those certain premises described in the Description of Project Premises in Exhibit B attached to the IDA Lease Agreement and made a part hereof, and which on the date of execution and delivery of the IDA Lease Agreement are subject to the Company Sublease, the PA Lease, the Basic Lease, and all rights or interests therein or appertaining thereto.

Purchase Date shall mean, with respect to a Series of Bonds, any date on which Bonds of such Series shall be tendered or deemed tendered for purchase pursuant to any Series Supplemental Indenture authorizing such Series of Bonds.

Purchase Price shall, with respect to a Series of Bonds, have the meaning as defined in the Applicable Series Supplemental Indenture.

Qualified Costs shall mean the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

Qualified Financial Institution shall mean a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation ("FDIC") which are (a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest Rating Categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and, if rated by S&P, rated "AAAm-G," "AAAm," or "AAm" and, if rated by Moody's, rated "Aaa," "Aa1," or "Aa2," including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 and above from S&P.

(xi) Any other investment permitted by law and approved in writing by each provider of a Credit Facility, so long as the related Credit Facility is then in effect.

Qualified Maintenance shall mean, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure", the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (e.g., a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

Qualified Personalty Lease shall mean the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Lessee on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Lessee) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease", or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

Rating Agency shall mean S&P if S&P shall be then rating the Bonds and Moody's if Moody's shall be then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall be then rating the Bonds.

Rating Category shall mean one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Fund shall mean the Rebate Fund established by Section 5.01 of the Indenture.

Rebate Requirement shall mean, with respect to each Series of Tax-Exempt Bonds, the amount, if any, required by any Applicable Tax Certificate with respect to such Series, to be deposited and maintained in the Rebate Fund with respect to such Series.

Record Date shall mean (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, 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.

Redemption Account shall mean any special trust Account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Redevelopment Work shall have the same meaning as set forth in the PA Lease.

Redevelopment Work Completion Date shall mean the date appearing on the certificate issued by the Port Authority pursuant to subparagraph (1) of paragraph (n) of Section 2 of the PA Lease after substantial completion of the Redevelopment Work as defined in the PA Lease.

Related Security Documents shall mean all Security Documents other than the Indenture.

Release Price shall mean 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 Leased Facilities prior to the release of such Released Property.

Released Property shall means the portions of the Leased Facilities which the Lessee, the Port Authority or, upon the effectiveness of the City-American Lease, the City, have released from the Leased Facilities.

Reletting Election Notice Service Date shall have the same meaning as set forth in Section 92.

Reletting Rights shall have the same meaning as set forth in Section 92.

Reletting Rights Effective Date shall have the same meaning as set forth in Section 92.

Remarketing Account shall, with respect to a Series of Bonds, have the meaning given such term in the Tender Agreement relating to such Series of Bonds.

Remarketing Agent shall mean any Remarketing Agent appointed with respect to any Series of Bonds.

Remarketing Agreement shall mean any Remarketing Agreement, entered into at any time between the Lessee and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

Reserve Fund Facility shall mean a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Debt Service Reserve Account Requirement for a Series of Bonds authorized to be delivered to the Trustee pursuant to Section 5.07 of the Indenture and/or a surety bond, insurance policy, letter of credit, or investment agreement (which investment agreement must be a Qualified Investment) which constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to Section 5.13 of the Indenture.

RNDA or Recognition, Nondisturbance and Attornment Agreement shall mean the Recognition, Non-Disturbance and Attornment Agreement dated as of July 31, 2002 between the City and the Lessee.

RNDA Effective Date shall mean the date that the City has become lessor under the PA Lease in accordance with the RNDA.

S&P shall mean Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Lessee.

Sales and Use Taxes shall mean New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

Sales Tax Letter shall mean that certain Sales Tax Letter of the Agency dated July 31, 2002.

Sales Tax Savings shall mean all exemptions of Sales and Use Taxes actually realized by the Lessee pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Lessee other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

Section 92 shall mean Section 92 of the PA Lease, entitled "Reletting Rights -Leasehold Mortgagee".

Security Documents shall mean with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranty, the Indenture, the ATL, the RNDA, and the Leasehold Mortgage, and, with respect to a particular Series of Bonds, each Applicable Tax Certificate, each Applicable Credit Facility, if any, each Applicable Reserve Fund Facility by Series, if any, and any and all other documents or instruments delivered to the Trustee in connection with the provision of security for such Series of Bonds; provided that in no event shall the PA Lease, the City-American Lease or the Consent Agreement be or be deemed to be Security Documents hereunder.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on the date of original issuance thereof in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore pursuant to the Master Indenture and any Series Supplemental Indenture.

Series Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a Series of Bonds and executed and delivered by the Agency and the Trustee in accordance with Section 2.03 and Article XI of the Indenture.

Series 2002 Bonds shall mean the Special Facility Revenue Bonds (2002 American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and Series 2002B of the Agency, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean any special trust account of the Bond Fund so designated, established pursuant to Section 5.01 of the Indenture.

State shall mean the State of New York.

Successor Trustee shall have the meaning given to such term in Section 92.

Tax Certificate shall mean, with respect to a Series of Tax-Exempt Bonds, any Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such Series of Tax-Exempt Bonds, executed by Authorized Representatives of the Agency and the Lessee and delivered to the Agency, the Lessee and the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Tax-Exempt Bond (or Series of Tax-Exempt Bonds) shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the applicable Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

Technical Termination shall have the meaning set forth in Article II of the Company Sublease.

Tenant Improvements shall mean all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Lessee, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

Tender Agent shall mean any Tender Agent appointed with respect to a Series of Bonds.

Tender Agreement shall mean any Tender Agreement, entered into at any time among the Trustee, the Lessee, the Tender Agent, Bond Registrar, Paying Agent, and the Remarketing Agent relating to any Series of Bonds, as supplemented or amended.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Trustee shall mean The Bank of New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and its and their assigns hereafter appointed in the manner provided in the Indenture.

Undelivered Bond shall mean any Series 2002A Bond that is deemed to be an "Undelivered Bond" as provided in Sections 2.05(g) or 2.05(h)(ii) of the First Series Supplemental Indenture.

Variable Interest Rate shall mean a Weekly Interest Rate, Bond Interest Term Rate, Daily Interest Rate or any other interest rate other than a Long-Term Interest Rate or a rate fixed to maturity, borne or to be borne by any Series of Bonds, the method of computing such variable interest rate to be specified in the Applicable Series Supplemental Indenture with respect to such Series of Bonds.

Wrongful Recording of the Leasehold Mortgage shall have the same meaning as set forth in Section 92(d)(2)(ii) of the PA Lease.

**Execution Copy**

# TAX CERTIFICATE AS TO ARBITRAGE AND THE PROVISIONS OF SECTIONS 103 AND 141-150 OF THE INTERNAL REVENUE CODE OF 1986

In connection with the issuance by the New York City Industrial Development Agency (the **"Agency")** of its $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002A Bonds**") and its $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002B Bonds**," and together with the Series 2002A Bonds, the **"Series 2002 Bonds"**), and in furtherance of the covenants of American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware (the **"Lessee"**), contained in Section 6.5 of the IDA Lease Agreement (the **"Lease Agreement")** dated as of July 1, 2002 between the Agency and the Lessee, and pursuant to Treasury Regulation Section 1.148-2(b)(2), the Agency and the Lessee make and enter into the following Tax Certificate.

**SECTION 1. DEFINITIONS. (a)** Capitalized terms used and not otherwise defined herein shall have the meanings set forth in Appendix I or Appendix III or, if not so defined, in the Master Indenture of Trust dated as of July 1, 2002 between the Agency and The Bank of New York, as Trustee, as amended and supplemented through the date hereof.

**(b)** Placed In Service Dates shall have the meaning as defined in Section 4 (d) of the Lessee Certificate (defined below).

**SECTION 2. REPRESENTATIONS.**

**(a) Purpose**. The Series 2002 Bonds are being issued on the date hereof (the **"Delivery Date")** to (i) finance a portion of the costs of the construction, equipping, improvement and renovation of an air passenger terminal consisting of the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the "**Airport**") in Queens, New York and the acquisition, construction and equipping of a new passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel connecting Concourse C to the main terminal, all to be used and managed by the Lessee (collectively the "**Facility**") as more fully described in the Certificate Regarding Qualification as Exempt Facility Bonds attached hereto as Exhibit A (the **"Lessee Certificate"),** (ii) fund the Debt Service Reserve Fund in the amount of the Debt Service Reserve Account Requirements for the Series 2002A Bonds and the Series 2002B Bonds, (iii) pay the Costs of Issuance of the Series 2002 Bonds and (iv) to pay a financing fee to the Agency and a fee to the State.

**(b) Single Issue.** Neither the Agency nor the Lessee will issue other obligations which will be: (i) sold at substantially the same time as the Series 2002 Bonds (i.e., within 15 days before or after July 25, 2002, the first day on which there is a binding contract in writing for the sale of the Series 2002 Bonds); (ii) sold pursuant to the same plan of financing with the Series 2002 Bonds; and (iii) reasonably expected to be paid from substantially the same source of funds as will be used to pay the Series 2002 Bonds.

**(c) No Replacement; Average Life of Assets.** No portion of the amounts received from the sale of the Series 2002 Bonds will be used as a substitute for other funds which were otherwise to be used as a source of financing for the Facility and which have been or will be used to acquire, directly or indirectly, Investment Property producing a yield in excess of the Bond Yield (as defined in Section 3(j)(1) below). The weighted average maturity of the Series 2002 Bonds (18.2077 years) does not exceed 120 percent of the average reasonably expected economic life of the portion of the Facility expected to be financed with the Series 2002 Bonds (48.52 years); see Exhibit D of the Lessee Certificate.

**(d) Statement as to Facts, Estimates and Circumstances.** The facts and estimates set forth in this Tax Certificate and the Lessee Certificate on which the Agency's and the Lessee's respective expectations as to the amount and use of the Gross Proceeds of the Series 2002 Bonds are based are made to the best of the knowledge and belief of the respective undersigned officers of the Agency and the Lessee, and the Agency's and the Lessee's respective expectations are reasonable.

**(e) Responsible Persons.** The undersigned officer of the Agency is responsible for the issuance of the Series 2002 Bonds, and has made due inquiry with respect to and is fully informed as to the matters set forth herein. The undersigned officer of the Lessee has made due inquiry with respect to and is fully informed as to the matters set forth herein which pertain to the Lessee.

**(f) Series 2002 Bonds Not Hedge Bonds.** The Agency and the Lessee reasonably expect that at least 85 percent of the Net Sale Proceeds of the Series 2002 Bonds will be spent on the Facility within three years of the Delivery Date and not more than 50 percent of the proceeds of the Series 2002 Bonds will be invested in Nonpurpose Investments having substantially guaranteed yields for four years or more.

**SECTION 3. REASONABLE EXPECTATIONS OF THE AGENCY AND THE LESSEE AS TO FACTS, ESTIMATES AND CIRCUMSTANCES.** The Agency and the Lessee make the following representations and statements of fact and expectation on the basis of which it is not expected that the Gross Proceeds of the Series 2002 Bonds will be used in a manner that would cause the Series 2002 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code:

**(a) Application of Sale Proceeds and Pre-Issuance Accrued Interest.**

**(1) Sale Proceeds; No Overissuance.** The Sale Proceeds received by the Agency from the sale of the Series 2002 Bonds (the **"Sale Proceeds"**) will be $475,108,200.00, which amount consists of the aggregate principal amount of $500,000,000.00 of the Series 2002 Bonds minus original issue discount of $24,891,800.00 and is exclusive of Pre-Issuance Accrued Interest of $3,491,666.67. The Sale Proceeds and the reasonably expected investment earnings thereon do not exceed the reasonably expected amounts necessary for the purposes set forth in Section 2(a) hereof.

**(2) Acquisition and Construction of Project.** An aggregate amount of the Sale Proceeds of $415,072,380.00 will be deposited into construction accounts in the Project

Fund designated for the Series 2002A Bonds and the Series 2002B Bonds ("**Series 2002 Construction Accounts**") and is expected to be used to pay or reimburse the Project Costs.

**(3) Cost of Issuance.** An aggregate amount of the Sale Proceeds equal to $6,500,000.00 is expected to be used to pay Costs of Issuance (which includes underwriter's discount of $2,625,000.00). Such amount does not exceed 2% of the Sale Proceeds.

**(4) Agency and State Fees.** An aggregate amount of Sale Proceeds equal to $6,025,000.00 is expected to be used to pay the financing fee of the Agency and the State fee.

**(5) Debt Service Reserve Fund.** An aggregate amount of Sale Proceeds equal to $47,510,820.00 will be deposited into the debt service reserve accounts in the Debt Service Reserve Fund designated for the Series 2002A Bonds and the Series 2002B Bonds (the "**Series 2002 Debt Service Reserve Accounts**") to serve as a reasonably required reserve fund.

**(6) Pre-Issuance Accrued Interest.** An aggregate amount equal to $3,491,666.67 will be deposited in the interest accounts in the Bond Fund designated for each the Series 2002A Bonds and the Series 2002B Bonds (the "**Series 2002 Interest Accounts**") and will be used to pay debt service on the first Interest Payment Date.

**(b) Investment Earnings.** Investment earnings on Sale Proceeds in the Project Fund and the Debt Service Reserve Fund shall be credited prior to the completion of the Facility to the Project Fund and after completion of the Facility to the redemption accounts designated for the Series 2002 Bonds in the Bond Fund, in the case of earnings derived from the Project Fund and to the interest accounts designated for the Series 2002 Bonds in the Bond Fund, in the case of earnings derived from the Debt Service Reserve Fund.

**(c) Project Fund; Rebate Fund.** The Agency and the Lessee do not expect that any amounts in the Project Fund or the Rebate Fund will be used to pay debt service on the Series 2002 Bonds, and there is no assurance that amounts accumulated therein will be available to pay debt service on the Series 2002 Bonds if the Lessee encounters financial difficulties.

**(d) Bond Fund; Lease Payments Fund.** Except for the Bond Fund, which contains the interest accounts, principal accounts, sinking fund installment accounts and redemption accounts designated for the Series 2002A Bonds and the Series 2002B Bonds, and the Lease Payments Fund (said accounts and fund being collectively referred to as the "**debt service fund**"), neither the Agency nor the Lessee have created or established, or expect to create or establish, any fund or account in connection with the Series 2002 Bonds that is reasonably expected to be used to pay debt service on the Series 2002 Bonds. The debt service fund will be used primarily to achieve a proper matching of revenues with principal and interest payments on the Series 2002 Bonds within each Bond Year and will be depleted at least annually, except for a reasonable carryover amount not to exceed the greater of (i) the earnings on amounts in the debt service fund for the immediately preceding Bond Year, or (ii) one-twelfth of the principal and interest

payments on the Series 2002 Bonds for the immediately preceding Bond Year. Amounts deposited in the debt service fund (other than any reasonable carryover amount permitted under the preceding sentence) will be used to pay debt service on the Series 2002 Bonds within a thirteen-month period beginning on the date of deposit therein.

**(e) Debt Service Reserve Fund.** The Indenture establishes a Debt Service Reserve Fund, and. within such fund the Series 2002 Debt Service Reserve Accounts, to be used to pay debt service on the Series 2002 Bonds if on the due date for payment of the interest on, or principal or Sinking Fund Installment of, the Series 2002 Bonds, amounts in the Bond Fund are insufficient to make such payment. The amount of Sale Proceeds deposited in the Series 2002 Debt Service Reserve Accounts, $47,510,820.00, is equal to the sum of the Debt Service Reserve Account Requirements for the Series 2002A Bonds and the Series 2002B Bonds. Said amount does not exceed the lesser of (i) 10% of the Sale Proceeds of the Series 2002 Bonds, (ii) 125% of average annual debt service on the Series 2002 Bonds and (iii) maximum annual debt service on the Series 2002 Bonds. Salomon Smith Barney Inc., the senior managing underwriter of the Series 2002 Bonds, has advised the Agency that the Series 2002 Debt Service Reserve Accounts and the amount of the Debt Service Reserve Account Requirements for the Series 2002 Bonds are of the type and size of accounts customarily required in financings of the size and nature of the Series 2002 Bonds and the failure to provide for these accounts at their required amounts would materially and adversely affect the interest rates or yields at which the Series 2002 Bonds could be sold.

**(f) Mortgage Reserve Fund.** The Indenture establishes a Mortgage Reserve Fund and within such fund the Foreclosure Payment Account. The IDA Lease Agreement requires the Lessee to fund the Foreclosure Payment Account in the amount of the Foreclosure Payment Account Requirement in the event that certain conditions are satisfied obligating the Lessee under the IDA Lease Agreement to execute and deliver the Leasehold Mortgage to the Leasehold Mortgagee. Amounts in the Foreclosure Payment Account shall be applied after a Leasehold Mortgage Default to pay the Port Authority amounts due and unpaid under the PA Lease and the General Airport Agreement and certain other fees as one of the conditions precedent to foreclosure upon the Leasehold Mortgage, unless the Trustee determines that it is in the best interest of the Bondholders, or the holders of a majority in aggregate principal amount of outstanding Bonds directs, to apply the such amounts to the payment of debt service on the Bonds. There can be no assurance that the Trustee will determine, or that a majority in aggregate principal amount of outstanding Bonds will direct, that the amounts in the Foreclosure Payment Account be used to pay debt service on the Series 2002 Bonds. In addition, should the Leasehold Mortgage be executed and delivered, no Leasehold Mortgage Default is anticipated during the term of the Bonds and the Indenture provides that upon repayment of the Bonds amounts in the Mortgage Reserve Fund shall be paid to the Lessee. The Foreclosure Payment Amount Requirement is $18,600,000 and such amount (if required to be deposited) together with the sum of the Debt Service Reserve Account Requirements for the Series 2002 Bonds is less than 15% of the Sale Proceeds of the Series 2002 Bonds. Salomon Smith Barney Inc., the senior managing underwriter of the Series 2002 Bonds, has advised the Agency that if the Lessee had not agreed to execute and deliver the Leasehold Mortgage upon the satisfaction of certain conditions and to establish and fund the Foreclosure Payment Account in the amount of the Foreclosure Payment Account Requirement, the interest rates or yields at which the Series 2002 Bonds could be sold would have been materially and adversely affected.

**(g) No Other Funds.** Other than the Funds and Accounts specifically described in this Tax Certificate, no fund or account which secures or otherwise relates to the Series 2002 Bonds has been established, nor are any such funds or accounts expected to be established, pursuant to any instrument.

**(h) Expenditure of Proceeds of the Series 2002 Bonds.**

**(1) Expenditure Test.** The Agency and the Lessee reasonably expect that at least 85 percent of the Net Sale Proceeds of the Series 2002 Bonds will be allocated to expenditures for the Facility within three years of the Delivery Date.

**(2) Time Test.** The Lessee has already commenced construction and has entered into substantial binding obligations with third parties to expend at least five percent of the Net Sale Proceeds of the Series 2002 Bonds on the Project.

**(3) Due Diligence Test.** The Lessee will proceed with due diligence to complete the Facility and to allocate the Net Sale Proceeds of the Series 2002 Bonds to expenditures for the Project.

**(i) Lease Agreement - Yield.** The Lease Agreement creates an obligation. It is not clear whether the Lease Agreement constitutes investment property within the meaning of Section 148 of the Code, however, if such Lease Agreement were treated as investment property, the yield does not exceed the Bond Yield by more than one-eighth of one percent, as advised by Bond Counsel after Bond Counsel's consideration of the Lease Agreement and the following items:

(1) the payment to the Agency by the Lessee of an application fee in the amount of $2,500 in 1999 when the Lessee submitted its financing application to the Agency;

(2) the use of Sale Proceeds to pay the Agency's financing fee of $2,525,000 and the State fee of $3,500,000;

(3) the payments by the Lessee the Trustee, in the manner described in the Lease Agreement, of amounts sufficient to pay when due debt service on the Series 2002 Bonds; and

(4) the fact that the Lessee shall make no other payments to the Agency with respect to the Series 2002 Bonds other than amounts to reimburse the Agency for in-house legal services and for future out-of-pocket expenses related to the Series 2002 Bonds.

The Agency's portion of employees' costs of salaries and out-of-pocket expenses attributable to issuing and carrying the Series 2002 Bonds is at least $25,000.00. Bond Counsel advises that such portion of payments referred to in subsections 3(g)(1) and (2) are Qualified Administrative Costs of a Purpose Investment.

**(j) Yield.**

**(1) Bond Yield.** The yield on the Series 2002 Bonds (the **"Bond Yield"**) is the discount rate that, when used in computing the present value as of the Delivery Date of all unconditionally payable payments of interest on, and principal and Sinking Fund Installments of, the Series 2002

Bonds produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Series 2002 Bonds as of the Delivery Date. The present value as of the Delivery Date of the aggregate issue price of the Series 2002 Bonds, based upon certain information provided by Salomon Smith Barney Inc. as the senior managing underwriter of the Series 2002 Bonds (see Exhibit B attached hereto), is $478,599,866.67 (the face of the Series 2002 Bonds of $500,000,000.00 plus accrued interest of $3,491,666.67, less original issue discount of $24,891,800.00). The Bond Yield for the Series 2002 Bonds computed in this manner, and based upon calculations provided by Salomon Smith Barney Inc., is 8.983171 percent. In calculating such yield, the Series 2002B Bonds have been treated as redeemed in accordance with their mandatory sinking fund redemption schedule without any adjustment to the amount of the Sinking Fund Installments being required by Treas. Reg. § 1.148-4(b)(2)(ii) (since the original issue discount in respect of the Series 2002B Bonds is less than the product of .25% times the face amount of the Series 2002B Bonds times the weighted average life of the Series 2002B Bonds). In addition, Bond Counsel advises that, under the Treasury Regulations currently in effect, the Series 2002 Bonds could be construed as a Variable Yield Issue since the Series 2002B Bonds are subject to mandatory tender for purchase if the Lessee elects to adjust the Series 2002B Bonds to a new Long-Term Interest Rate Period on a day on which the Series 2002B Bonds would otherwise be subject to optional redemption. Accordingly, in complying with any applicable yield limitations set forth below, the Bond Yield shall be the lesser of 8.983171% and the yield of the Series 2002 Bonds computed as the Yield of a Variable Yield Issue.

**(2) No Hedge Contract.** Neither the Agency nor the Lessee has entered into a Hedge with respect to the Series 2002 Bonds or the Lease Agreement. The Agency and the Lessee will not enter into a Hedge in respect of the Series 2002 Bonds or the Lease Agreement unless there is first received an opinion of Bond Counsel that such Hedge will not adversely affect the exclusion of interest on the Series 2002 Bonds from gross income for federal income tax purposes.

**(3) Expectations Regarding Yield Limitations.** Investments of Gross Proceeds of the Series 2002 Bonds in Investment Property will be subject to the following yield limitations:

| Fund or Account | Temporary Period of Unrestricted Investment | Restriction After Temporary Period, If Any | Excepted From Rebate (Yes)/(No) |
|---|---|---|---|
| Project Fund | 3 years[1] | Bond Yield plus .125 percent[2] | No |

[1] The temporary period for Investment Proceeds earned in the Project Fund ends on the date which is the later of three years after the delivery date or one year after receipt.

[2] If, at the same time, there are Proceeds invested in the Project Fund beyond their temporary period and any other Nonpurpose Investments held beyond an applicable temporary period, the investment yield limit for Proceeds in the Project Fund is the Bond Yield plus .001 percent.

| | | | |
|---|---|---|---|
| Bond Fund, Lease Payments Fund | 13 months[3] | Bond Yield, plus .001 percent | Yes[4] |
| Debt Service Reserve Fund | Unlimited[5] | N/A | No |
| Foreclosure Payment Account | Unlimited | N/A | No |
| Replacement Proceeds | 30 days | Bond Yield, plus .001 percent | No |

**SECTION 4. REBATE REQUIREMENT, CALCULATIONS AND PAYMENT.** The Lessee has covenanted in Section 6.5 of the Lease Agreement to comply with the rebate requirement of Section 148(f) of the Code (the **"Rebate Requirement").** The regulations promulgated thereunder are described in Appendix II. In addition, Appendix III sets forth certain spending exceptions to the Rebate Requirement. The Agency has not elected the penalty in lieu of rebate.

**SECTION 5. ALLOCATION AND ACCOUNTING RULES.** The Agency and the Lessee, to the extent each is responsible for the investment of Gross Proceeds of the Series 2002 Bonds, shall comply with the allocation and accounting rules described in Appendix IV for purposes of allocating Gross Proceeds to the Series 2002 Bonds, allocating Gross Proceeds to investments, and allocating Gross Proceeds to expenditures.

**SECTION 6. PROHIBITED INVESTMENTS AND DISPOSITIONS.** Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. The fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment. The Agency and the Lessee shall comply with the procedures with respect to compliance with these requirements contained in Appendix V.

**SECTION 7. NO FEDERAL GUARANTEE.** The Agency and the Lessee covenant not to invest five percent or more of the proceeds of the Series 2002 Bonds in federally insured deposits or accounts or otherwise invest such proceeds in any obligation the payment of principal or interest on which is (in whole or in part) a direct obligation of or guaranteed by the United States (or any agency or instrumentality thereof). Notwithstanding the foregoing, the Agency

---

[3] To the extent the requirements of Section 3(d) are met.

[4] Earnings on amounts in the Bond Fund will not be subject to the Rebate Requirement for any Bond Year in which such earnings are less than $100,000 in the aggregate. This $100,000 limitation may be treated as satisfied if the average annual debt service on the Series 2002 Bonds does not exceed $2,500,000.

[5] Subject to the limitations of Section 3(e).

and the Lessee may invest the proceeds of the Series 2002 Bonds in any investment guaranteed by the following agencies of the United States: (a) the Federal Housing Administration; (b) the Veterans Administration; (c) the Federal National Mortgage Association; (d) the Federal Home Loan Mortgage Corporation; and (e) the Government National Mortgage Association. Moreover, the Agency and the Lessee may invest the proceeds of the Series 2002 Bonds (a) during an initial temporary period until such proceeds are needed for the purpose for which the Series 2002 Bonds were issued; (b) in a bona fide debt service fund; (c) in a reasonably required reserve or replacement fund; (d) in obligations issued by the United States Treasury; (e) in investments in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; or (f) in a refunding escrow.

**SECTION 8. UNEXPENDED BOND PROCEEDS.** Any proceeds of the Series 2002 Bonds which remain unexpended upon completion of the Facility shall be used to redeem Series 2002 Bonds then outstanding. If all of the Series 2002 Bonds are callable only at a future date, all of the unexpended proceeds of the Series 2002 Bonds must be placed in escrow until the first date on which the Series 2002 Bonds may be called. None of the Series 2002 Bonds has call protection in excess of 10.5 years from the date hereof. The amount placed in escrow may not be invested at a yield in excess of the yield on the Series 2002 Bonds.

**SECTION 9. QUALIFICATION AS EXEMPT FACILITY.** Based upon representations in the Lessee Certificate, at least 95 percent of the sum of the Net Sale Proceeds (as defined in the Lessee Certificate), taking into account certain imputed proceeds, if any, and Investment Proceeds received prior to the Placed in Service Dates will be used to provide a facility described in Section 142(a)(1) of the Code. See the Lessee Certificate attached as Exhibit A. Neither the Lessee nor the Agency will take any action or omit to take any action within its control, the effect of which would cause the sum of the Net Sale Proceeds of the Series 2002 Bonds and Investment Proceeds received prior to the Placed in Service Dates to be used other than in the manner described in this section.

**SECTION 10. VOLUME CAP.** No portion of the Series 2002 Bonds is subject to the private activity bond limit under Section 146 of the Code.

**SECTION 11. INFORMATION REPORTING.** The Agency has reviewed the Internal Revenue Service Form 8038 to be filed in connection with the issuance of the Series 2002 Bonds, a copy of which is attached hereto as Exhibit D, and all of the information contained therein is, to the best of the Agency's knowledge, true and complete.

**SECTION 12. AMENDMENTS.** This Tax Certificate has been executed pursuant to the Lease Agreement wherein the Lessee has made certain covenants to maintain the exclusion of interest on the Series 2002 Bonds from gross income for purposes of Federal income taxation under Section 103 of the Code. This Tax Certificate sets forth the information, representations, and procedures necessary in order for Bond Counsel to render its opinion regarding the exclusion of interest on the Series 2002 Bonds from gross income for purposes of Federal income taxation and may be amended or supplemented from time to time to maintain such exclusion only with the approval of Bond Counsel.

Notwithstanding any other provision herein, the covenants and obligations contained herein, to the extent compliance is within the control of the Lessee may be and shall be deemed modified to the extent the Agency secures an opinion of Bond Counsel that any action required hereunder is no longer required or that some further action is required in order to maintain the exclusion of interest on the Series 2002 Bonds from gross income for purposes of Federal income taxation under the Code.

**SECTION 13. SUPPLEMENTATION OF THIS CERTIFICATE.** At any time that the Agency and/or the Lessee believe that it may be necessary or appropriate, the Agency and the Lessee will supplement or amend this Tax Certificate in a manner such that Bond Counsel may continue to be of the opinion that interest on the Series 2002 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code. The Agency and the Lessee acknowledge that in the event there is any conflict between the reasonable expectations set forth herein and the provisions of the supplements or amendments hereto, such supplements or amendments will govern.

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By:_____
Name: Carolyn A. Edwards
Title: Deputy Executive Director

AMERICAN AIRLINES, INC.

By: Leslie M Benners
Name: Leslie M. Benners
Title: Managing Director, Corporate Finance and Banking

Dated: July 31, 2002

Appendix I

General Definitions

**A.** **Bond Counsel** shall mean Winston & Strawn or any other law firm appointed by the issuer, having a national reputation in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds.

**B.** **Bond Year** shall mean each one year period that ends on the day selected by the issuer. The first and last Bond Years may be short periods. If no day is selected by the issuer before the date that is five years from the issue date, each Bond Year ends on the anniversary of the issue date and on the final maturity date.

**C.** **Bond Yield** shall have the meaning set forth in the Tax Certificate.

**D.** **Code** shall mean the Internal Revenue Code of 1986, as amended to the date hereof.

**E.** **Commingled Fund** shall mean any fund or account containing both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

**F.** **Computation Date** shall mean each date on which the rebate amount for an issue is computed. For a Variable Yield Issue, Computation Date means the last day of any Bond Year selected by the issuer ending on or before the latest date on which the first rebate payment is required to be paid and after such first payment date, shall be either the end of each Bond Year or the end of each fifth Bond Year, provided that the alternative selected shall be consistently used after the first required rebate payment date.

**G.** **Computation Date Credit** shall mean, with respect to an issue, a credit of $1,000 against the rebatable arbitrage on (i) the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of an issue that are subject to the Rebate Requirement; and (ii) the final maturity date for an issue.

**H.** **Computation Period** shall mean the period between Computation Dates. The first Computation Period begins on the date hereof and ends on the first Computation Date. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the next Computation Date.

**I.** **Fixed Yield Bond** or **Fixed Yield Investment** shall mean any bond or investment the yield on which is fixed and determinable on the date of original issue.

**J.** **Gross Proceeds** shall mean any Proceeds and Replacement Proceeds of an issue.

**K.** **Hedge** shall mean any contract entered into primarily to reduce the risk of interest rate changes with respect to the Series 2002 Bonds, including, but not limited to, an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option.

**L.** **Investment Proceeds** shall mean any amounts actually or constructively received from investing Proceeds of an issue.

**M.** **Investment Property** shall include: (i) any security or obligation (other than a Tax-exempt Bond not described in clause (iv), below) within the meaning of Section 148(b)(2) of the Code, (ii) any annuity contract; (iii) as to the Gross Proceeds of Series 2002 Bonds other than private activity Series 2002 Bonds, any interest in any residential rental property for family units which is not located within the jurisdiction of the issuer; (iv) as to Gross Proceeds of Series 2002 Bonds the interest on which is excluded from Federal gross income and which is not an item of tax preference within the meaning of Section 57(a)(5) of the Code, any Tax-exempt Bond that is a "specified private activity bond" within the meaning of Section 57(a)(5)(C); and (v) any other Investment-Type Property.

**N.** **Investment-Type Property** shall include any property that is held principally as a passive vehicle for the production of income. A prepayment for property or services is Investment-Type Property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not Investment-Type Property if (i) the prepayment is made for a substantial business purpose other than investment return and the issuer has no commercially reasonable alternative to the prepayment; or (ii) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the issuer but who are not beneficiaries of tax-exempt financing. Investment-Type Property also includes a contract that hedges the issuer's risk of interest rate changes if that contract contains a significant investment element (i.e., an expected return), such as one that provides for non-periodic payments or payments that do not otherwise correspond closely in time.

**O.** **Issue Price of the Series 2002 Bonds** shall mean the issue price as defined in Code Section 1273 and 1274 and generally is, (i) in a public offering, is the first price at which a substantial (*i.e.*, 10%) amount of the Bonds is sold to the public (not including bond houses, brokers, or a similar person or organizations acting in the capacity of underwriters or wholesalers), or (ii) where bonds are not sold in a public offering, the price paid by the first purchaser. The issue price of Bonds for which a bona fide public offering is made is determined as of the date of sale based on reasonable expectations regarding the initial public offering price.

**P.** **Multipurpose Issue** shall mean an issue that is used for two or more separate governmental purposes.

**Q.** **Net Sale Proceeds** shall mean Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund.

**R.** **Nonpurpose Investment** shall mean any Investment Property that is not a Purpose Investment.

**S.** **Nonpurpose Payment** shall mean:

1. amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a Commingled Fund);

2. in the case of a Nonpurpose Investment that is first allocated to an issue on a date after it is actually acquired (e.g., an investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the Rebate Requirement on a date after it is actually acquired (e.g., an investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the two year spending period), the Value of that investment on that date;

3. in the case of a Nonpurpose Investment that was allocated to an issue at the end of the preceding Computation Period, the Value of that Nonpurpose Investment at the beginning of the Computation Period; and

4. the Computation Date Credit.

T. **Nonpurpose Receipt** shall mean:

1. amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a Commingled Fund);
2. in the case of a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (e.g., an investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the issue pursuant to the Universal Cap) or that ceases to be subject to the Rebate Requirement on a date earlier than its disposition or redemption date (e.g., an investment allocated to a fund initially subject to the Rebate Requirement but that subsequently qualifies as a bona fide debt service fund), the Value of that Nonpurpose Investment on that date; and

3. in the case of a Nonpurpose Investment that is held at the end of a Computation Period, the Value of that Nonpurpose Investment at the end of that Computation Period.

U. **Plain Par Bond (or Plain Par Investment)** shall mean a bond (or an investment) (i) issued (or, in the case of an investment acquired on a date other than the issue date, acquired) with not more than a de minimis amount (i.e., two percent of stated principal amount) of discount or premium; (ii) issued for a price that does not include accrued interest, other than Pre-Issuance Accrued Interest; (iii) that bears interest from the issue date at a single, stated, fixed rate or that is a variable rate debt instrument under Section 1275 of the Code, in each case with interest unconditionally payable at least annually; and (iv) that has a lowest stated redemption price that is not less than its outstanding stated principal amount. In addition, a plain Par Bond shall include a "qualified tender bond" as defined in I.R.S. Notice 88-130.

V. **Pre-Issuance Accrued Interest** shall mean amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the issue date.

**W. Present Value** shall mean an amount to be determined by using the formula PV = FV divided by $(1+i)^n$, where PV equals the Present Value of the amount to be received or paid, FV equals the amount to be received or paid, i equals the discount rate (expressed as a decimal) divided by the number of compounding intervals in a year, and n equals the sum of the number of whole compounding intervals beginning on the date as of which the present value is computed and ending on the date the amount is to be received or paid, and a fraction, the numerator of which is the length of any short compounding interval during such period, and the denominator of which is the length of a whole compounding interval.

**X. Proceeds** shall mean any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue.

**Y. Purpose Investment** shall mean an investment that is acquired to carry out the governmental purpose of an issue.

**Z. Qualified Administrative Costs** shall mean reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving Tax-exempt Bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, certain indirect administrative costs may be characterized as Qualified Administrative Costs with respect to Nonpurpose Investments in publicly offered regulated investment companies and certain "external commingled funds", as defined in §1.148-5(e)(2)(ii) of the Treasury Regulations. For a guaranteed investment contract, a broker's commission or similar fee paid on behalf of either an issuer or the provider is not a Qualified Administrative Cost to the extent that the present value (using the taxable rate applied by the parties to the contract in determining the commission or fee as the discount rate, or if that rate is not readily ascertainable then a reasonable taxable discount rate) of the commission or fee as of the date the contract is first allocated to the issue exceeds the present value of annual payments equal to .05 percent of the weighted average amount reasonably expected to be invested each year of the term of such contract.

**AA. Qualified Guarantee** shall mean a qualified guarantee within the meaning of Treas. Reg. Section 1.148-4(f).

**BB. Qualified Hedge** shall mean a Hedge meeting the requirements of Treas. Reg. Section 1.148-4(h).

**CC. Rebate Bond Yield** shall mean the Bond Yield unless either:

1. the issuer or any conduit borrower enters into a hedge transaction (e.g., interest rate swap, interest rate cap or collar) which has not otherwise been taken into account in computing the Bond Yield, in which case the issuer shall consult with Bond Counsel prior to entering into such a transaction to obtain guidance as to the determination of the Rebate Bond Yield; or

2. the issuer or any conduit borrower, in a transaction that is separate and apart from the original sale of an issue, transfers, waives or modifies any

right that is part of the terms of an issue (e.g., a sale of the call rights on an issue). The issuer shall consult with Bond Counsel prior to entering into any such transaction.

**DD. Rebate Requirement** shall have the meaning ascribed thereto in the Tax Certificate.

**EE. Replacement Proceeds** shall mean amounts that have a sufficiently direct nexus to an issue to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the issue were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on an issue if there is reasonable assurance that the amount will be available for such purposes in the event that the issuer encounters financial difficulties. Replacement Proceeds also include working capital reserves that are directly or indirectly financed with Proceeds of the issue. Replacement Proceeds also include amounts held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders of the Series 2002 Bonds or any guarantor of the Series 2002 Bonds (known as a "negative pledge"), unless either (i) the issuer may grant rights in the amount that are superior to the rights of the bondholders or the guarantor or (ii) the amount is not in excess of the reasonable needs for which it is maintained, is tested not more frequently than once every six months and may be spent without any substantial restriction other than it be replenished before the next testing date.

**FF. Sale Proceeds** shall mean any amounts actually or constructively received by the issuer from the sale of an issue, including amounts used to pay underwriters' discount or compensation and accrued interest other than Pre-Issuance Accrued Interest. Sale Proceeds also include any amounts derived from the sale or other transfer of a right that is associated with any bond that is part of the issue (e.g., the sale of a redemption right) in a transaction that is separate and apart from the original sale of the bond.

**GG. Tax-exempt Bond** means any bond the interest on which is excludable from gross income under Section 103 of the Code. In addition, in the context of investments of Gross Proceeds in Tax-exempt Series 2002 Bonds, such investments also include (i) an interest in a regulated investment company to the extent that at least 95 percent of the income to the holder thereof is interest excludable from gross income under Section 103 of the Code or (ii) a United States Treasury State and Local Government Series-Demand Deposit Certificate of Indebtedness.

**HH. Treasury Regulations** shall mean the Treasury Regulations promulgated pursuant to Sections 103 and 141 through 150 of the Code, as in effect and applicable to the issue, and to the extent applicable, any subsequent amendments to such regulations or any successor regulations.

**II.** **Universal Cap** shall mean the Value of all then outstanding Series 2002 Bonds of the issue.

**JJ.** **Value (of a Bond)** shall mean with respect to a Plain Par Bond, the outstanding principal amount, plus accrued unpaid interest. The Value of any other bond on a date is its Present Value on such date, taking into account all the unconditionally payable payments of principal, interest and fees for a Qualified Guarantee to be paid on or after that date and using the yield on the bond as the discount rate. In determining the Present Value of a Variable Yield Bond for this purpose, the initial interest rate setting mechanism is used to determine the interest payments on that bond.

**KK.** **Value (of an Investment)** shall have the following meaning in the following circumstances:

**1. General Rules.** Subject to the special rules in the following paragraph, an issuer may determine the Value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(i) a debt obligation acquired with not more than a two percent discount or premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest;

(ii) a fixed rate investment may be valued at its present value;

(iii) an investment may be valued at its fair market value on a date.

**2. Special Rules.**

(i) Yield restricted investments are to be valued at present value;

(ii) Except as otherwise provided in clause (i), above, regarding yield restricted investments, an investment must be valued at its fair market value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, unless it is an investment either (A) that is allocated from one exclusively tax-exempt issue to another exclusively tax-exempt issue as a result of transferred proceeds or the application of the Universal Cap or (B) that is an investment in a Commingled Fund (other than a commingled bona fide debt service fund) other than on its initial deposit to or withdrawal from a commingled common reserve, replacement or sinking fund.

(iii) Except as otherwise provided in clause (i), above, regarding yield restricted investments, in the case of transferred proceeds, the Value of a nonpurpose investment that is allocated to transferred proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

**LL. Variable Yield Issue** shall mean any bond whose yield is not fixed and determinable on the issue date.

**MM. Yield Reduction Payment** shall mean:

**1. General Rule.** Amounts paid to the United States with respect to applicable investments, including a rebate payment, may be treated as a payment that reduces the yield on that investment.

**2. Time of Payment.** Yield reduction payments must be made at the same time and in the same manner as rebate amounts or at such other time or in such manner as the Internal Revenue Service prescribes. However, for a Purpose Investment, no yield reduction payments need be made until the earlier of the end of the 10th Bond Year or 60 days after the date on which the Series 2002 Bonds are no longer outstanding, and for payments prior to the date on which the Series 2002 Bonds are retired, the issuer need not pay more than 75 percent of the amount otherwise required to be paid as of the date to which the payment relates.

**3. Applicable Investments** are:

(i) Nonpurpose Investments allocable to proceeds of an issue qualifying for a temporary period for capital projects; and

(ii) investments allocable to a Variable Yield Issue during a Computation Period in which at least 5 percent of the value of the issue consists of variable yield Series 2002 Bonds.

**NN. Yield of a Variable Yield Issue** shall be computed separately for each Computation Period, and is the discount rate, that, when used in computing the Present Value as of the first day of the Computation Period for all payments of principal and interest and fees for Qualified Guarantees that are attributable to the Computation Period, produces an amount equal to the Present Value, using the same discount rate, of the aggregate Issue Price of the Series 2002 Bonds as of the first day of the Computation Period. For this purpose, the aggregate Issue Price of the Series 2002 Bonds as of the first day of any Computation Period other than the first Computation Period shall be the aggregate of the Values of the outstanding Series 2002 Bonds as of the last day of the preceding Computation Period.

Payments on the Series 2002 Bonds during a Computation Period include (A) amounts actually paid during the period for principal on the Series 2002 Bonds; (B) amounts paid during the current period both for interest accruing on the Series 2002 Bonds during the current period and for interest accruing during the prior period that was included in the Deemed Issue Price of the Series 2002 Bonds as accrued unpaid interest at the start of the current period; (C) amounts properly allocable to a Qualified Guarantee of the Series 2002 Bonds for the period; and (D) amounts properly allocable to a Qualified Hedge for such period. To the extent a bond is actually redeemed during a Computation Period, an amount equal to the greater of its value on the redemption date or the actual redemption price is treated as a payment on the actual

redemption date. Further, if the bond is outstanding at the end of the Computation Period, the value of such bond is taken into account on the last day of that Computation Period. Upon conversion of a Variable Yield Issue to a Fixed Yield Issue, the redemption price of the Variable Yield Issue and the Issue Price of the Fixed Yield Issue equal the aggregate values of the Series 2002 Bonds on the conversion date. If the conversion date occurs on a date other than a Computation Date, the issuer may continue to treat the issue as a Variable Yield Issue until the next Computation Date, at which time it must be treated as converted to a Fixed Yield Bond.

Appendix II

Rebate Requirement

**(a) Generally.** Section 148(f) of the Code requires that certain earnings on Nonpurpose Investments allocable to the Gross Proceeds of an issue be paid to the United States to prevent the bonds of the issue from being arbitrage bonds. The arbitrage that must be rebated is based on the difference between the amount actually earned on Nonpurpose Investments and the amount that would have been earned if those investments had a yield equal to the yield on the issue. As of any date, the rebate amount for an issue is the excess of the future value, as of that date, of all receipts on Nonpurpose Investments over the future value, as of that date, of all payments on Nonpurpose Investments. The future value of a payment or receipt at the end of any period is determined using the economic accrual method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the yield on the issue, using the same compounding interval and financial conventions used to compute that yield.

**(b) Computation Dates (other than the Final Computation Date).** For a fixed yield issue, an issuer may treat any date as a Computation Date provided such date is within five years of the issue date. For a variable yield issue, an issuer may treat the last day of any Bond Year that is not later than five years from the issue date as a Computation Date and may not change that treatment after the first rebate payment, if any, is due. After the first rebate payment, if any, is due, an issuer must consistently treat either the end of each Bond Year or the end of each fifth Bond Year as Computation Dates and may not change these Computation Dates after the first rebate payment, if any, is due.

**(c) Final Computation Date.** The date that an issue is discharged is the Final Computation Date. For an issue retired within three years of its issue date, however, the Final Computation Date need not occur before the end of eight months after the issue date or during the period in which the issuer reasonably expects that any of the spending exceptions to the Rebate Requirement will apply to the issue.

**(d) Amount of Required Rebate.** The arbitrage rebate is generally paid in installments. The first rebate installment payment must be made for a Computation Date that is not later than five years after the issue date of the Series 2002 Bonds. Subsequent installment payments must be made for a Computation Date that is not later than five years after the previous Computation Date for which an installment payment was made. For installment payment Computation Dates other than the Final Computation Date, an issuer must rebate an amount that when added to the future value, as of that Computation Date, of previous rebate payments made for the issue, equals at least 90 percent of the rebate amount as of that date. For the Final Computation Date, a final rebate payment must be paid in an amount that, when added to the future value of previous rebate payments made for the issue, equals 100 percent of the rebate amount as of that date.

**(e) Time and Manner of Payment.** Each rebate payment must be paid no later than 60 days after the Computation Date to which the payment relates. Any rebate payment paid within this 60-day period may be treated as paid on the Computation Date to which it relates. Each

payment made pursuant to this Appendix shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, and shall be accompanied by Form 8038-T.

**(f) Penalty in Lieu of Loss of Tax Exemption.** The failure to pay the correct rebate amount when required will cause the Series 2002 Bonds of the issue to be arbitrage Series 2002 Bonds, unless the Commissioner determines that the failure was not caused by willful neglect and the issuer promptly pays a penalty to the United States. If no bond of the issue is a private activity bond (other than a qualified 501(c)(3) bond), the penalty equals 50 percent of the rebate amount not paid when required to be paid, plus interest on that amount. Otherwise, the penalty equals 100 percent of the rebate amount not paid when required to be paid, plus interest on that amount. Interest accrues at the underpayment rate under Section 6621 of the Code, beginning on the date the correct rebate amount is due and ending on the date 10 days before it is paid. The penalty is automatically waived if the rebate amount that the issuer failed to pay plus interest is paid within 180 days after discovery of the failure, unless the Commissioner determines that the failure was due to willful neglect, or the issue is under examination by the Commissioner at any time during the period beginning on the date the failure first occurred and ending on the date 90 days after the receipt of the rebate amount. Generally, extensions of this 180-day period and waivers of the penalty in other cases will be granted by the Commissioner only in unusual circumstances.

**(g) Recovery of Overpayment of Rebate.** An issuer may recover an overpayment of a rebate amount for an issue of Tax-exempt Series 2002 Bonds by establishing to the satisfaction of the Commissioner that the overpayment occurred. An overpayment is the excess of the amount paid to the United States for an issue under Section 148 of the Code over the sum of the rebate amount for the issue as of the most recent Computation Date and all amounts that are otherwise required to be paid under Section 148 of the Code as of the date the recovery is requested. Notwithstanding the preceding sentence, an overpayment may be recovered only to the extent that a recovery on the date that it is first requested would not result in an additional rebate amount if that date were treated as a Computation Date. Furthermore, except for overpayments in certain limited circumstances, an overpayment of less than $5,000 may not be recovered before the Final Computation Date.

**(h) Recordkeeping Requirement.** An issuer must retain records of the determination of its Rebate Requirement until six years after the retirement of the last obligation of the issue.

**(i) Exception for earnings on gross proceeds in certain "bona fide debt service funds".** Earnings on Nonpurpose Investments of Gross Proceeds in a bona fide debt service fund are not taken into account in computing the arbitrage rebate liability for an issue if either (i) the gross earnings on such fund for the Bond Year is less than $100,000 or (ii) the issue is a long-term, fixed rate governmental bond issue (i.e., the issue has an average maturity of at least 5 years and each of the Series 2002 Bonds that are part of such issue are neither private activity Series 2002 Bonds nor have rates of interest that vary during the term of the issue). For purposes of clause (i), an issuer may treat an issue with average annual debt service not exceeding $2,500,000 as satisfying the $100,000 limitation and therefore not earning more than $100,000 in any Bond Year.

Appendix III

Spending Exceptions to Rebate

**(a) Generally.** All, or certain discrete portions, of an issue are treated as meeting the Rebate Requirement if one or more of the spending exceptions set forth in this Appendix are satisfied. Use of the spending exceptions is not mandatory, except that where an issuer elects to apply the 1-1/2 percent penalty (as described below) the issuer must apply that penalty to the Construction Issue. An issuer may apply the Rebate Requirement to an issue that otherwise satisfies a spending exception. Special definitions relating to the spending exceptions are contained in Section (h) of this Appendix.

Where several obligations that otherwise constitute a single issue are used to finance two or more separate governmental purposes, the issue constitutes a "multipurpose issue" and the bonds, as well as their respective proceeds, allocated to each separate purpose may be treated as separate issues for purposes of the spending exceptions. In allocating an issue among its several separate governmental purposes, "common costs" are generally not treated as separate governmental purposes and must be allocated ratably among the discrete separate purposes unless some other allocation method more accurately reflects the extent to which any particular separate discrete purpose enjoys the economic benefit (or bears the economic burden) of the certain common costs (e.g., a newly funded reserve for a parity issue that is partially new money and partially a refunding for savings on prior bonds).

Separate purposes include refunding a separate prior issue, financing a separate Purpose Investment (e.g., a separate loan), financing a Construction Issue, and any clearly discrete governmental purpose reasonably expected to be financed by the issue. In addition, as a general rule, all integrated or functionally related capital projects qualifying for the same initial temporary period (e.g., three years) are treated as having a single governmental purpose. Finally, separate purposes may be combined and treated as a single purpose if the proceeds are eligible for the same initial temporary period (e.g., advance refundings of several separate prior issues could be combined, or several non-integrated and functionally unrelated capital projects such as airport runway improvements and a water distribution system).

The spending exceptions described in this Appendix are applied separately to each separate issue component of a multipurpose issue unless otherwise specifically noted.

**(b) Six-Month Exception.** An issue is treated as meeting the Rebate Requirement under this exception if (i) the gross proceeds of the issue are allocated to expenditures for the governmental purposes of the issue within the six-month period beginning on the issue date (the **"six-month spending period"**) and (ii) the Rebate Requirement is met for amounts not required to be spent within the six-month spending period (excluding earnings on a bona fide debt service fund). For purposes of the six-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six-month spending period, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury

Regulation Section 1.148-6(d)(4)) financed by the issue. In the case of an issue no bond of which is a private activity bond (other than a qualified 501(c)(3) bond) or a tax or revenue anticipation bond, the six-month spending period is extended for an additional six months for the portion of the proceeds of the issue which are not expended within the six-month spending period if such portion does not exceed five percent of the Proceeds of the issue.

**(c) 18-Month Exception.** An issue is treated as meeting the Rebate Requirement under this exception if all of the following requirements are satisfied:

(i) the gross proceeds are allocated to expenditures for a governmental purpose of the issue in accordance with the following schedule (the **"18-month expenditure schedule"**) measured from the issue date: (A) at least 15 percent within six months, (B) at least 60 percent within 12 months and (C) 100 percent within 18 months;

(ii) the Rebate Requirement is met for all amounts not required to be spent in accordance with the 18-month expenditure schedule (other than earnings on a bona fide debt service fund); and

(iii) all of the gross proceeds of the issue qualify for the initial temporary period under Treasury Regulation Section 1.148-2(e)(2).

For purposes of the 18-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the 18-month expenditure schedule, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury Regulation Section 1.148-6(d)(4)) financed by the issue. In addition, for purposes of determining compliance with the first two spending periods, the investment proceeds included in gross proceeds are based on the issuer's reasonable expectations as of the issue date rather than the actual Investment Proceeds; for the third, final period, actual Investment Proceeds earned to date are used in place of the reasonably expected earnings. An issue does not fail to satisfy the spending requirement for the third spending period above as a result of a Reasonable Retainage if the Reasonable Retainage is allocated to expenditures within 30 months of the issue date. The 18-month exception does not apply to an issue any portion of which is treated as meeting the Rebate Requirement as a result of satisfying the two-year exception.

**(d) Two-Year Exception.** A Construction Issue is treated as meeting the Rebate Requirement for Available Construction Proceeds under this exception if those proceeds are allocated to expenditures for governmental purposes of the issue in accordance with the following schedule (the **"two-year expenditure schedule"**), measured from the issue date:

(i) at least 10 percent within six months;

(ii) at least 45 percent within one year;

(iii) at least 75 percent within 18 months; and

(iv) 100 percent within two years.

An issue does not fail to satisfy the spending requirement for the fourth spending period above as a result of unspent amounts for Reasonable Retainage if those amounts are allocated to expenditures within three years of the issue date.

**(e) Expenditures for Governmental Purposes of the Issue.** For purposes of the spending exceptions, expenditures for the governmental purposes of an issue include payments for interest, but not principal, on the issue, and for principal or interest on another issue of obligations. The preceding sentence does not apply for purposes of the 18-month and two-year exceptions if those payments cause the issue to be a refunding issue.

**(f) De Minimis Rule.** Any failure to satisfy the final spending requirement of the 18-month exception or the two-year exception is disregarded if the issuer exercises due diligence to complete the Facility financed and the amount of the failure does not exceed the lesser of three percent of the issue price of the issue or $250,000.

**(g) Elections Applicable to the Two-Year Exception.** An issuer may make one or more of the following elections with respect to the two-year spending exception:

**(1) Earnings on Reasonably Required Reserve or Replacement Fund.** An issuer may elect on or before the issue date to exclude from Available Construction Proceeds the earnings on any reasonably required reserve or replacement fund. If the election is made, the Rebate Requirement applies to the excluded amounts from the issue date.

**(2) Actual Facts.** For the provisions relating to the two-year exception that apply based on the issuer's reasonable expectations, an issuer may elect on or before the issue date to apply all of those provisions based on actual facts. This election does not apply for purposes of determining whether an issue is a Construction Issue if the 1-1/2 percent penalty in lieu of rebate election described in subsection (g)(4) of this Appendix is made.

**(3) Separate Issue.** For purposes of the two-year exception, if any proceeds of an issue are to be used for Construction Expenditures, the issuer may elect on or before the issue date to treat the portion of the issue that is not a refunding issue as two, and only two, separate issues, if (i) one of the separate issues is a Construction Issue, (ii) the issuer reasonably expects, as of the issue date, that such Construction Issue will finance all of the Construction Expenditures to be financed by the issue and (iii) the issuer makes an election to apportion the issue in which it identifies the amount of the issue price of the issue allocable to the Construction Issue.

**(4) Penalty in Lieu of Rebate.** An issuer of a Construction Issue may irrevocably elect on or before the issue date to pay a penalty (the **"1-1/2 percent penalty"**) to the United States in lieu of the obligation to pay the rebate amount on Available Construction Proceeds upon failure to satisfy the spending requirements of the two-year expenditure schedule. The 1-1/2 percent penalty is calculated separately for each spending period, including each semiannual period after the end of the fourth spending period, and is equal to 1.5 percent times the underexpended proceeds as of the end of the spending period. For each spending period, underexpended proceeds equal the amount of Available Construction Proceeds required to be spent by the end of the spending period, less the amount actually allocated to expenditures for the governmental

purposes of the issue by that date. The 1-1/2 percent penalty must be paid to the United States no later than 90 days after the end of the spending period to which it relates. The 1-1/2 percent penalty continues to apply at the end of each spending period and each semiannual period thereafter until the earliest of the following: (i) the termination of the penalty under Treasury Regulation Section 1.148-7(1), (ii) the expenditure of all of the Available Construction Proceeds or (iii) the last stated final maturity date of Series 2002 Bonds that are part of the issue and any Series 2002 Bonds that refund those Series 2002 Bonds. If an issue meets the exception for Reasonable Retainage except that all retainage is not spent within three years of the issue date, the issuer must pay the 1-1/2 percent penalty to the United States for any Reasonable Retainage that was not so spent as of the close of the three-year period and each later spending period.

**(h) Special Definitions Relating to Spending Exceptions.**

**(1) Available Construction Proceeds** shall mean, with respect to an issue, the amount equal to the sum of the issue price of the issue, earnings on such issue price, earnings on amounts in any reasonably required reserve or replacement fund not funded from the issue (subject to the election referred to in Section (g)(l) of this Appendix) and earnings on all of the foregoing earnings, less the amount of such issue price in any reasonably required reserve or replacement fund and less the issuance costs financed by the issue. For purposes of this definition, earnings include earnings on any Tax-exempt Bond. Unless the issuer otherwise elects as described in Section (g)(2) of this Appendix, for the first three spending periods of the two-year expenditure schedule described in Treasury Regulation Section 1.148-7(e), Available Construction Proceeds include the amount of future earnings that the issuer reasonably expected as of the issue date. For the fourth spending period described in Treasury Regulation Section 1.148-7(e) and any subsequent date, as of which computations are made, Available Construction Proceeds include the actual earnings received to that date and earnings expected as of that date to be earned in the future. Earnings on any reasonably required reserve or replacement fund are Available Construction Proceeds only if the issuer did not elect to exclude such earnings pursuant to the election described in paragraph (g)(l) of this Appendix and only to the extent that those earnings accrue before the earlier of (i) the date construction is substantially completed or (ii) the date that is two years after the issue date. For this purpose, construction may be treated as substantially completed when the issuer abandons construction or when at least 90 percent of the total costs of the construction that the issuer reasonably expects as of such date will be financed with proceeds of the issue have been allocated to expenditures. If only a portion of the construction is abandoned, the date of substantial completion is the date that the nonabandoned portion of the construction is substantially completed.

**(2) Construction Expenditures** shall mean capital expenditures (as defined in Treasury Regulation Section 1.150-1) that are allocable to the cost of Real Property or Constructed Personal Property. Construction Expenditures do not include expenditures for acquisitions of interests in land or other existing Real Property.

**(3) Construction Issue** shall mean any issue that is not a refunding issue if (i) the issuer reasonably expects, as of the issue date, that at least 75 percent of the Available Construction Proceeds of the issue will be allocated to Construction Expenditures for property owned by a governmental unit or a 501(c)(3) organization and (ii) any private activity Series 2002 Bonds that are part of the issue are qualified 501(c)(3) Series 2002 Bonds or private activity Series 2002

Bonds issued to finance property to be owned by a governmental unit or a 501(c)(3) organization.

**(4) Constructed Personal Property** shall mean Tangible Personal Property or Specially Developed Computer Software if (i) a substantial portion of the property is completed more than six months after the earlier of the date construction or rehabilitation commenced and the date the issuer entered into an acquisition contract; (ii) based on the reasonable expectations of the issuer, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the issuer itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the issuer.

**(5) Real Property** shall mean land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, Real Property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

**(6) Reasonable Retainage** shall mean an amount, not to exceed five percent of (i) Available Construction Proceeds as of the end of the two-year expenditure schedule (in the case of the two-year exception to the Rebate Requirement) or (ii) Net Sale Proceeds as of the end of the 18-month expenditure schedule (in the case of the 18-month exception to the Rebate Requirement), that is retained for reasonable business purposes relating to the property financed with the issue. For example, a Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the issuer reasonably determines that a dispute exists regarding completion or payment.

**(7) Specially Developed Computer Software** shall mean any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to Real Property or other Constructed Personal Property.

**(8) Tangible Personal Property** shall mean any tangible property other than Real Property, including interests in tangible personal property. For example, Tangible Personal Property includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

**(i) Special Rules Relating to Refundings.**

**(1) Transferred Proceeds.** In the event that a prior issue that might otherwise qualify for one of the spending exceptions is refunded, then for purposes of applying the spending exceptions to the prior issue, proceeds of the prior issue that become transferred proceeds of the refunding issue continue to be treated as unspent proceeds of the prior issue; if such unspent proceeds satisfy the requirements of one of the spending exceptions then they are not subject to rebate either as proceeds of the prior issue or of the refunding issue. Generally, the only

spending exception applicable to refunding issues is the six-month exception. In applying the six-month exception to a refunding of a prior issue, only transferred proceeds of the refunding issue from a taxable prior issue and other amounts excluded from the definition of gross proceeds of the prior issue under the special definition of gross proceeds contained in Section (b) above are treated as gross proceeds of the refunding issue and so are subject to the six-month exception applicable to the refunding issue.

**(2) Series of Refundings.** In the event that an issuer undertakes a series of refundings for a principal purpose of exploiting the difference between taxable and tax-exempt interest rates, the six-month spending exception is measured for all issues in the series commencing on the date the first bond of the series is issued.

**(ii) Elections Applicable to Pool Series 2002 Bonds.** An issuer of a pooled financing issue can elect to apply the spending exceptions separately to each loan from the date such loan is made or, if earlier, on the date one year after the date the pool Series 2002 Bonds are issued. In the event this election is made, no spending exceptions are available and the normal Rebate Requirement applies to Gross Proceeds prior to the date on which the applicable spending periods begin. In the event this election is made, the issuer may also elect to make all elections applicable to the two-year spending exception, described in Section (g) above, separately for each loan; any such elections that must ordinarily be made prior to the issue date must then be made by the issuer before the earlier of the date the loan is made or one year after the issue date.

Appendix IV

Allocation and Accounting Rules

**(a) General Rule.** An issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as defined in Section (f) of this Appendix) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a Commingled Fund.

**(b) Allocation of Gross Proceeds to an Issue.** Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to transferred proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

**(c) Allocation of Gross Proceeds to Investments.** Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. For purposes of the preceding sentence, the fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

**(d) Allocation of Gross Proceeds to Expenditures.** Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a "ratable allocation" method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

**(e) Universal Cap.** Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding Series 2002 Bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding Series 2002 Bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

**(f) Commingled Funds.** All payments and receipts (including deemed payments and receipts) on investments held by a Commingled Fund must be allocated (but not necessarily

distributed) among each different source of funds invested in the Commingled Fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the Commingled Fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the **"Fiscal Period"**); or (ii) the average of the beginning and ending balances of the amounts in the Commingled Fund from each different source of funds for a Fiscal Period that does not exceed one month.

Investments in a Commingled Fund that serves as a common reserve fund, replacement fund or sinking fund (referred to herein as a "commingled reserve") for two or more issues, after making reasonable adjustments to account for proceeds allocated in accordance with paragraphs (b) and (e) of this Appendix, must be allocated ratably among those issues served by the commingled reserve in accordance with one of the following methods: (i) the relative Values of the Series 2002 Bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues. Allocations under this paragraph must be made at least once every three years and as of each date that an issue first becomes secured by the commingled reserve. Allocations must also be made on the retirement of any issue secured by the commingled reserve if that commingled reserve is allocated based on the method described in clause (iii) above.

Funds invested in the Commingled Fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable, consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the Commingled Fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the Commingled Fund.

Generally a Commingled Fund must treat all its investments as if sold at fair market value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the Commingled Fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a Commingled Fund during a particular fiscal year does not exceed 18 months, and the investments held by the Commingled Fund during that fiscal year consist exclusively of obligations; or (ii) the Commingled Fund operates exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer.

**(g) Expenditure for Working Capital Purposes.** Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, the term **"working capital expenditures"** means all expenditures other than "capital expenditures." **"Capital expenditures"** are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general Federal income tax principles. Such costs include, for example, costs incurred to acquire,

construct, or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, **"available amount"** means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer or a related party if those amounts may be used by the issuer for working capital expenditures of the type being financed by the issue without legislative or judicial action and without a legislative, judicial, or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purposes of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures. In addition, certain "qualified endowment funds" are treated as unavailable.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any issuance costs of the issue or any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the issue date and ending on the date that is the later of three years from the issue date or one year after the date on which the financed Facility is placed in service; (iv) amounts to the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the Rebate Requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or investment proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest, or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the foregoing, the exceptions described in this paragraph do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

Appendix V

Value of Investments

**(a) Fair Market Value.** The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). An investment that is not of a type traded on an established securities market, within the meaning of Section 1273 of the Code, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

**(b) Certificates of Deposit Safe Harbor.** A certificate of deposit that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal shall be treated as purchased at its fair market value if the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States; and (ii) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

**(c) Guaranteed Investment Contracts Safe Harbor.** The purchase price of a guaranteed investment contract will be treated as the fair market value of the Investment on the purchase date if all of the following requirements are satisfied:

(1) the issuer makes a solicitation for the purchase of the guaranteed investment contract or investment that meets all of the following:

(i) the bid specifications are in writing, include all material terms (i.e., any term that may directly or indirectly affect the yield or cost of the Investment) and all terms of the bid specifications must be commercially reasonable (i.e., the term must have a legitimate business purpose other than to increase the purchase price or reduce the yield of the Investment). The bid specifications must be timely forwarded to potential providers;

(ii) the bid specifications contain a notification that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted as a courtesy to the issuer or any other person for the purpose of satisfying the three bid requirement or the requirement that at least one bid be from a reasonably competitive provider, as described below;

(iii) at least three "reasonably competitive providers" (i.e., providers that have an established industry reputation as a competitive provider of the type of Investments being purchased) are solicited for bids;

(iv) all potential providers have an equal opportunity to bid. For example, no potential provider has the opportunity to review other bids (i.e., a last look) before providing a bid; and

(v) the terms of the solicitation take into account the issuer's reasonably expected deposit or drawdown schedule for the amounts to be invested;

(2) the bids received by the issuer meet all of the following:

(i) at least three bids are received from providers with no material financial interest in the Bonds. Persons with a material financial interest include a lead underwriter in a negotiated underwriting of the Bonds until 15 days after the Delivery Date, any financial advisor respecting the purchase of the Investment at the time the bid specifications are sent to potential providers and any related party to a provider that has a material financial interest in the Bonds;

(ii) at least one of the three bids received is from a reasonably competitive provider; and

(iii) if the issuer uses an agent to conduct the bidding, the agent did not bid to provide the Investment;

(3) the winning bid is the highest yielding bona fide bid (determined net of any broker's fees);

(4) the provider of the Investments or the obligor on the guaranteed investment contract certifies the administrative costs it pays, or expects to pay, to third parties in connection with supplying the Investment;

(5) the issuer retains the following records until 3 years after the last outstanding Bond is discharged:

(i) a copy of the contract;

(ii) the receipt or other record of the amount actually paid by the issuer for the Investments, including a record of any administrative costs paid and the certification of the Investment provider of administrative costs;

(iii) for each bid submitted, the name of the person or entity submitting the bid, the time and date of the bid and the bid results; and

(iv) the bid solicitation form, and, if applicable, a brief statement identifying and explaining the purpose of any deviation between the terms of the purchase agreement or guaranteed investment contract and the bid solicitation.

The issuer shall maintain records adequate to determine the fair market value of the investments described above.

## Index to Exhibits to Tax Certificate

| | | |
|---|---|---|
| Exhibit A | - | Certificate as to Qualification as Exempt Facility Series 2002 Bonds |
| Exhibit B | - | Issue Price Certificate |
| Exhibit C | - | Order of Assignment |
| Exhibit D | - | Form 8038 |

**Execution Copy**

**EXHIBIT A**

## CERTIFICATE REGARDING QUALIFICATION AS EXEMPT FACILITY BONDS

In connection with the issuance by the New York City Industrial Development Agency (the "**Agency**") of its $120,000,000 Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002A Bonds**") and its $380,000,000 Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "**Series 2002B Bonds**," and together with the Series 2002A Bonds, the "**Series 2002 Bonds**") and in connection with the opinion on the exclusion of interest on the Series 2002 Bonds from gross income for Federal income tax purposes to be given by Winston & Strawn, the undersigned officer of American Airlines, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware (the "**Lessee**"), hereby certifies on behalf of the Lessee that he is familiar with the facilities to be financed in part with the proceeds of the Series 2002 Bonds and further certifies as follows:

1. Defined Terms.

Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "**Tax Certificate**") dated the date hereof and executed by the Agency and the Lessee in connection with the issuance of the Series 2002 Bonds.

2. Ownership and Operation of Bond Financed Property.

The Project Premises are subject to the terms of an Agreement of Lease dated April 17, 1947, as amended and supplemented, between the City and the Port Authority of New York and New Jersey (the "**Port Authority**"). The Project Premises, together with all buildings, structures, improvements and fixtures on such premises, have been subleased to the Lessee pursuant to an Agreement of Lease (Lease No. AYB - 085) entered into as of August 1, 1976, between the Port Authority and the Lessee, as supplemented and amended and as further supplemented, amended and restated in an Amended and Restated Lease Agreement No. AYB-085R dated as of December 22, 2000 between the Port Authority and the Lessee, as amended by Supplement No. 1 thereto and as the same may hereafter be further amended and supplemented. The Lessee and the Agency will enter into a Company Sublease Agreement dated as of July 1, 2002, pursuant to which the Lessee will sub-sublease to the Agency the Leased Facilities. Pursuant to an IDA Lease Agreement dated as of July 1, 2002 the Agency will sub-sub-sublease the Leased Facilities to the Lessee and will lease the Facility Equipment to the Lessee.

The Lessee, and any non-governmental user, pursuant to a long-term lease, management contract, service contract or similar arrangement executed in the future, of each unit or class of units of property constituting Financed Property and set forth in the Leased Facilities Schedule and the Equipment Schedule (collectively referred to as the "**Property Schedule**") attached as Schedule I to the IDA Lease Agreement, or in any modified Property Schedule substituted pursuant to Sections 3.5 or 6.14 of the IDA Lease Agreement, (1) has or will execute an irrevocable election, substantially in the form attached as Exhibit A not to claim depreciation or any investment credit with respect to any of such units or class of units of property under federal income tax law, (2) pursuant to such lease, contract, or similar arrangement will not have the use of any unit or class of units constituting Financed Property and set forth in the Property Schedule or any modified Property Schedule for a term which exceeds 80 percent of the reasonably expected economic life of such unit or class of units, as determined under Section 147(b) of the Code and as set forth with respect to each such unit or class of units in the Property Schedule or any modified Property Schedule and (3) will have no option to purchase such unit or class of units other than at fair market value (determined as of the time the option is exercised). The reasonably expected economic life of any unit of property or class of units of property constituting a structure or building is set forth in Schedule 1 to Exhibit D. If the reasonably expected economic life of any unit of property or class of units of property constituting Financed Property (other than property that is a structure or a building) in the Property Schedule or any modified Property Schedule is longer than the "midpoint life" under the Asset Depreciation Range ("**ADR**") system set forth in Revenue Procedure 83-35, 1983-1 C.B. 745, the Lessee or other non-governmental user will attach a letter, in the form attached as Schedule 2 to Exhibit D, to the Property Schedule or modified Property Schedule supporting the reasonably expected economic life of such unit of property or class of units of property.

The election which has been executed by the Lessee is attached hereto as Exhibit B.

3. Use of Proceeds.

(a) Ninety-five percent or more of the Net Sale Proceeds of the Series 2002 Bonds and the Investment Proceeds received prior to the Placed in Service Dates (as defined below) will be used to pay Project Costs which, if the Lessee were owner of the Facility, could be capitalized for Federal income tax purposes in the tax basis of such property and which meet the requirements of paragraph 3(c) hereof ("**Qualifying Costs**"). For purposes of this Certificate, "**Net Sale Proceeds**" means the issue price of the Series 2002 Bonds to the public, less amounts in any debt service reserve fund, and plus any "imputed proceeds" as defined in Treasury Regulation Section 1.103-8(a)(6). Exhibits C and D set forth a reasonable estimate of the entire amount of the Project Costs to be financed with the Net Sale Proceeds of the Series 2002 Bonds. Except for certain amounts shown in Exhibit C under Costs of Issuance and Miscellaneous Items, all of the amounts set forth in Exhibit C are Qualifying Costs.

(b) The Facility shall be available for use by the general public or for use by common carriers or chartered carriers which directly serve members of the general public.

(c) The Lessee understands that 95 percent or more of the Net Sale Proceeds of the Series 2002 Bonds and Investment Proceeds received prior to the Placed in Service Dates (as defined below) must be used to provide "airport" facilities or facilities directly related and essential to the operation of an "airport," as described in Section 142(a)(1) and Section 142(c) of the Code and Section 1.103-8(e) of the Treasury Regulations. Accordingly, at least 95 percent of the facilities financed with the Net Sale Proceeds of the Series 2002 Bonds and the Investment Proceeds thereon will be either:

(i) directly related and essential to:

(A) servicing aircraft or enabling aircraft to take off and land; or

(B) transferring passengers or cargo to or from aircraft;

and are of such a nature that they need to be located at or in close proximity to the take-off and landing areas of John F Kennedy International Airport (the "**Airport**") in order to perform their functions;

(ii) functionally related or subordinate to the facilities described in (i) above, of a character and size commensurate with the character and size of the Airport and located at or adjacent to the Airport; or

(iii) storage facilities which are directly related to facilities described in (i) above and which are located at or adjacent to the Airport.

(d) Unless a Favorable Opinion of Bond Counsel shall have been received, none of the facilities financed with the Net Sale Proceeds of the Series 2002 Bonds or the Investment Proceeds thereon shall be used as:

(i) a lodging facility;

(ii) a retail facility (including food and beverage facilities) in excess of a size necessary to serve passengers and employees of the Airport;

(iii) a retail facility (other than parking) for passengers or the general public located outside any terminal at the Airport;

(iv) an office building for individuals who are not employees of a governmental unit or of the operating authority for the Airport; or

(v) an industrial park or manufacturing facility.

4. Expenditure of Proceeds of the Series 2002 Bonds; Reimbursement.

(a) Net Sale Proceeds of the Series 2002 Bonds equal to $415,072,380, together with Investment Proceeds received prior to the Placed in Service Dates (as defined below), will be deposited into the Project Fund and are expected to be spent to pay or reimburse the payment of Project Costs prior to December 31, 2002. In addition, completion of the Facility and allocation of the Proceeds of the Series 2002 Bonds to expenditures for the Facility will proceed with due diligence.

(b) In no event shall more than two percent of the Sale Proceeds of the Series 2002 Bonds, $9,502,164.00, be expended to pay Costs of Issuance of the Series 2002 Bonds as defined in Section 1.150-1(b) of the Treasury Regulations.

(c) On December 9, 1999, the Agency passed its inducement resolution ("**Inducement Resolution**") with respect to the Facility. A copy of the Inducement Resolution is attached as Exhibit E. A portion of the Net Sale Proceeds of the Series 2002 Bonds will be used to reimburse the Lessee for certain costs included in Exhibit D paid prior to the Delivery Date ("**Reimbursement Expenditures**"). On the date the Inducement Resolution was adopted, the Lessee had a reasonable expectation that it would reimburse the Reimbursement Expenditures with proceeds of an obligation. The Lessee will make an allocation in writing that evidences its use of Proceeds of the Series 2002 Bonds to reimburse the Reimbursement Expenditures not later than 18 months after the later of the first date the Reimbursement Expenditures were paid or the date the Facility is placed in service or abandoned but in no event more than three years after the first date the Reimbursement Expenditures (other than the preliminary costs) were paid. All Reimbursement Expenditures constitute capital expenditures (within the meaning of Treasury Regulations Section 1.150-2(d)(3)) relating to the Facility. All Reimbursement Expenditures were paid on or after October 10, 1999 (which is the date 60 days before the date of the Inducement Resolution), except for certain "preliminary expenditures" which were paid prior to such date. The "preliminary expenditures" paid prior to such date do not exceed 20% of the Issue Price of the Series 2002 Bonds. "Preliminary expenditures" are expenditures for architectural, engineering, surveying, soil testing and similar costs incurred prior to the commencement of construction of the Facility, other than land acquisition, site preparation and similar costs incident to commencement of construction.

(d) The Concourse C portion of the Facility is reasonably expected to be placed in service on or about February 28, 2003; the portion of the Facility consisting of the Terminal C tunnel/connector and mid-section of the Main Terminal is expected to be placed in service by December 31, 2003; the portion of the Facility comprising the west portions of Concourses A and B and the Federal Inspection Service Facility is expected to be placed in service on or about July 31, 2004; and the portion of the Facility consisting of the east portions of Concourses A and B is expected to be placed in service on or about August 31, 2006 (collectively, the "**Placed in Service Dates**").

5. Public Approval. A public hearing with respect to the Bonds was held on November 12, 2001. The time and location of the public hearing provided a reasonable opportunity for persons of differing views to appear and be heard, and a reasonable opportunity to be heard was afforded to all persons present at the hearing. The notice of the public hearing was published in the New York Post, a newspaper of general circulation, on October 13, 2001, and contained: (a) a description of the use of the Proceeds of the Series 2002 Bonds, (b) the maximum aggregate face amount of the Series 2002 Bonds to be issued with respect to the Facility, and (c) the purpose of the proposed issuance of the Series 2002 Bonds. A copy of the proof of publication of the notice is attached hereto as Exhibit F. The Mayor of the City of New York approved the issuance of the Series 2002 Bonds on February 27, 2002.

6. Limitation on Maturity of Series 2002 Bonds. As the information provided on Form 8038 and Exhibit D indicates, the weighted average maturity of the Series 2002 Bonds (18.2077 years) does not exceed 120 percent of the average reasonably expected economic life of the portion of the Facility expected to be financed by the Series 2002 Bonds (48.52 years). For purposes of determining the average reasonably expected economic life of the portion of the Facility expected to be financed by the Series 2002 Bonds, (A) the average reasonably expected economic life shall be determined as of the later of (i) the date the Series 2002 Bonds are issued or (ii) the Placed in Service Dates (however, see footnote 3 to Exhibit D); and (B) land shall not be taken into account. The Lessee covenants that the average maturity of the Series 2002 Bonds (18.2077 years) will not exceed 120% of the average reasonably expected economic life of the units or class of units of property shown in the Property Schedule or any modified Property Schedule substituted pursuant to Sections 3.5 and 6.14 of the IDA Lease Agreement. In connection with this covenant, the reasonably expected economic life of any unit or class of units of property constituting a structure or building set forth in Revenue Procedure 62-21 shall be as shown in Schedule 1 to Exhibit D and the reasonably expected economic life of any unit or class of units of other property shown in a Property Schedule or modified Property Schedule shall be the midpoint life for such property under the ADR system, or a longer life provided that there is attached to the Property Schedule or the modified Property Schedule a letter in the form set forth in Schedule 2 to Exhibit D to support such longer life.

7. Prohibited Use of Series 2002 Bond Proceeds. No portion of the Proceeds of the Series 2002 Bonds will be used to provide any of the following: the acquisition of land; any airplane, skybox, or other private luxury box; any health club facility; any facility primarily used for gambling; or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

8. No Series 2002 Bonds Held by Substantial User. Other than Series 2002B Bonds tendered but not remarketed pursuant to the Indenture, it is not anticipated that the Series 2002 Bonds will be held for any period by the Lessee or any other "substantial user" of the Facility, or any "related person" to such "substantial user" (as such terms are used in Section 147(a) of the Code).

9. Acquisition of Existing Property. No portion of the Net Sale Proceeds of the Series 2002 Bonds will be used to acquire existing property (property the first use of which is not by the Lessee) unless not later than two years after the later of (i) the date the property is acquired, or (ii) the Delivery Date of the Series 2002 Bonds, the Lessee shall have incurred rehabilitation expenditures meeting the requirements of Section 147(d)(2) of the Code.

10. Compliance with Non-Completion or Excess Proceeds Rules. The face amount of the Series 2002 Bonds is based on reasonable estimates of the Project Costs at the time of issuance of the Series 2002 Bonds. Expenditures of the proceeds of the Series 2002 Bonds shall comply with Section 1.5 of the Lease Agreement. If upon completion of the Facility less than 95 percent of the Net Sale Proceeds and the Investment Proceeds received prior to the Placed in Service Dates have been expended for Qualifying Costs, any proceeds of the Series 2002 Bonds which remain unexpended upon completion of the Facility shall be used to redeem Series 2002 Bonds then outstanding or to provide additional property described in Section 142(a)(1) of the Code. If all of the Series 2002 Bonds are only callable at a future date, all of the unexpended proceeds of the Series 2002 Bonds must be placed in escrow until the first date on which the Series 2002 Bonds may be called. Each of the Series 2002 Bonds will be subject to call to the extent necessary to maintain the exclusion of interest from gross income by a date not later than (i) 10.5 years from the date hereof or (ii) 90 days from the date of the event that would jeopardize such

exclusion. The amount placed in escrow may not be invested in investment property at a yield in excess of the yield on the Series 2002 Bonds.

11. Responsible Person. The undersigned officer of the Lessee is responsible for the acquisition and construction of the Facility.

12. Reliance. The Lessee understands and acknowledges that the certifications, representations, and covenants of the Lessee set forth herein will be relied upon by the Agency in issuing the Series 2002 Bonds and in executing the Tax Certificate and by Bond Counsel in rendering its opinion that interest on the Series 2002 Bonds will be excluded from gross income for federal income tax purposes.

The undersigned has been informed of, or has discussed with counsel, the purpose and scope of Section 103, and Sections 141-150 of the Code and the regulations thereunder as they relate to "qualified exempt facility bonds," as defined therein. The undersigned intends that the foregoing statements can be relied on by Bond Counsel in determining the qualification of the Series 2002 Bonds as qualified exempt facility bonds.

To the best of the knowledge, information, and belief of the undersigned as of the date hereof, there are no other facts, estimates or circumstances that would materially change any of the foregoing certifications. The representations contained in this Certificate are made for the benefit of any purchaser of the Series 2002 Bonds and Bond Counsel and may be relied upon by any purchaser of the Series 2002 Bonds and Bond Counsel in determining whether or not the interest on the Series 2002 Bonds is includible in gross income for Federal income tax purposes under statutes, regulations, rulings and pronouncements of the Internal Revenue Service and court decisions existing on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate this 31st day of July, 2002 .

AMERICAN AIRLINES, INC.

By: Leslie M. Benners

Name: Leslie M. Benners

Title: Managing Director, Corporate Finance and Banking

## EXHIBIT A

**FORM OF ELECTION BY LESSEE, SERVICE CONTRACTOR, MANAGEMENT CONTRACTOR OR OTHER CONTRACTING PARTY (THE "CONTRACTING PARTY") FOR PROPERTY DESCRIBED IN I.R.C. §142(b)(1)(B) NOT TO CLAIM DEPRECIATION OR AN INVESTMENT CREDIT WITH RESPECT TO SUCH PROPERTY**

1. Description of Property:

Any unit or class of units of property constituting Financed Property and set forth in the Leased Facilities Schedule and Facility Equipment Schedule attached as Schedule I to the IDA Lease Agreement, dated as of July 1, 2002, and executed in connection with the bonds referenced below and any modified Leased Facilities Schedule and/or Facility Equipment Schedule substituted pursuant to Sections 3.5 and 6.14 of the IDA Lease Agreement for the original of such schedules.

2. Name, Address, and Taxpayer Identification Number of the Contracting Party:

3. Name, Address, and Taxpayer Identification Number of the Issuing Authority:

New York City Industrial Development Agency
110 William Street
New York, New York 10038

TIN

4. Date and Face Amount of the Issue the proceeds of which are to be used to provide the Property:

$120,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project)

Issue Date: July 31, 2002.

I, the undersigned, a duly authorized official of the Contracting Party, hereby elect on behalf of the Contracting Party, pursuant to Section 142(b)(1)(B)(i) of the Internal Revenue Code of 1986, as amended, not to claim depreciation or an investment credit with respect to the Property described above under federal tax law. This Election is being made concurrently on or before the execution of the lease, service contract, management contract or other contract (the

"contract") permitting a possessory use with respect to the Property or prior to the time of occupancy of the Property.

The Contracting Party understands that this Election is irrevocable, and that this Election is binding on the Contracting Party and all successors in interest under the Contract regardless of whether the obligations issued to provide the Property remain outstanding. Furthermore, the Contract and any publicly recorded document recorded in lieu of such Contract, states that neither the Contracting Party nor any successor in interest under the Contract may claim depreciation or an investment credit with respect to the Property under federal tax law.

The New York City Industrial Development Agency (the "Agency") is being provided with a copy of this Election and the Contracting Party will retain copies of this Election in our records for the entire term of the Contract. We understand that the Agency will retain a copy of this Election for the same term.

[CONTRACTING PARTY]

By:_____

Title:_____

Date:_____

**EXHIBIT B**

Executed Form of Election

**ELECTION BY AMERICAN AIRLINES, INC. (THE "CONTRACTING PARTY") FOR PROPERTY DESCRIBED IN I.R.C. §142(b)(1)(B) NOT TO CLAIM DEPRECIATION OR AN INVESTMENT CREDIT WITH RESPECT TO SUCH PROPERTY**

1. Description of Property:

Any unit or class of units of property constituting Financed Property and described in the Leased Facilities Schedule and Facility Equipment Schedule attached as Schedule I to the IDA Lease Agreement, dated as of July 1, 2002, and executed in connection with the bonds referenced below and any modified Lease Facilities Schedule and/or Facility Equipment Schedule substituted pursuant to Sections 3.5 and 6.14 of the IDA Lease Agreement for the original of such schedules.

2. Name, Address, and Taxpayer Identification Number of the Contracting Party:

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155
TIN:

3. Name, Address, and Taxpayer Identification Number of the Issuing Authority:

New York City Industrial Development Agency
110 William Street
New York, New York 10038

TIN

4. Date and Face Amount of the Issue the proceeds of which are to be used to provide the Property:

$120,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project)

Issue Date: July 31, 2002.

I, the undersigned, a duly authorized official of the Contracting Party, hereby elect on behalf of the Contracting Party, pursuant to Section 142(b)(1)(B)(i) of the Internal Revenue Code of 1986, as amended, not to claim depreciation or an investment credit (under the Code) with respect to the Property described above. This Election is being made concurrently with the execution of the IDA Lease Agreement (the "Contract") permitting a possessory use with respect to the Property or prior to the time of occupancy of the Property.

The Contracting Party understands that this Election is irrevocable, and that this Election is binding on the Contracting Party and all successors in interest under the Contract regardless of whether the obligations issued to provide the Property remain outstanding. Furthermore, the Contract and any publicly recorded document recorded in lieu of such Contract, states that neither the Contracting Party nor any successor in interest under the Contract may claim depreciation or an investment credit with respect to the Property under federal tax law.

The New York City Industrial Development Agency (the "Agency") is being provided with a copy of this Election and the Contracting Party will retain copies of this Election in our records for the entire term of the Contract. We understand that the Agency will retain a copy of this Election for the same term.

AMERICAN AIRLINES, INC.

By: Leslie M. Benners
Name: Leslie M. Benners
Title: Managing Director, Corporate Finance and Banking

Date: July 31, 2002

## EXHIBIT C

**Estimated Project Costs Financed by Sale Proceeds of Series 2002 Bonds**

| | | |
|---|---|---|
| A. | PURCHASE OF EQUIPMENT, CONSTRUCTION AND LAND IMPROVEMENTS | |
| | 1. (See Exhibit D for Breakdown) | $414,824,972 |
| | 2. Contingencies | $247,408 |
| | TOTAL ACQUISITION AND CONSTRUCTION | $415,072,380 |
| B. | COSTS OF ISSUANCE | |
| | 1. Underwriter Fee or Discount | $2,625,000 |
| | 2. Other Costs of Issuance | $3,875,000 |
| | TOTAL COSTS OF ISSUANCE | $6,500,000 |
| C. | MISCELLANEOUS ITEMS | |
| | 1. Item: IDA Fee and State Bond Fee | $6,025,000 |
| | 2. Item: Series 202 Debt Service Reserve Accounts | $47,510,820 |
| | 3. Item: Original Issue Discount | $24,891,800 |
| | TOTAL MISCELLANEOUS ITEMS | $78,427,620 |
| | | |
| | TOTAL ACQUISITION COSTS OF PROJECT | $500,000,000.00 |

## EXHIBIT D

The portion of the Facility financed by the Series 2002 Bonds is expected to consist of the following Assets:

| | A[1] | B[2] | C[3] | D[4] | E[5] | F[6] |
|---|---|---|---|---|---|---|
| Description | | | | | | |
| Buildings | 45 | 54 | | 54 | 263,108,731 | 14,207,871,474 |
| Equipment | 12 | 14.4 | | 14.4 | 11,775,547 | 169,567,876 |
| Land Improvements | 20 | 24 | | 24 | 59,056,921 | 1,417,366,104 |
| Architect. & Engineer. Fees | 45 | 54 | | 54 | 65,446,458 | 3,534,108,732 |
| Soil Testing | 20 | 24 | | 24 | 1,214,051 | 29,137,224 |

1 Economic Life (expressed in years). The Economic Life of an Asset is the longer of the reasonably expected economic life of the Asset or the "midpoint life" under the Asset Depreciation Range (*"ADR"*) system, as set forth in Revenue Procedure 83-35, 1983-1 C.B. 745, where applicable, and the "guideline lives" under Revenue Procedure 62-21, 1962-2 C.B. 418, in the case of structures. For structures and buildings included above with a reasonably expected economic life in excess of the guideline lives set forth in Revenue Procedure 62-21, see Schedule 1 attached hereto. Schedule 2 hereto is the form of supporting letter for other Assets included in the Property Schedule or a modified Property Schedule with a reasonably expected economic live longer than the midpoint life under the ADR system.

2 120 percent of (A).

3 If the Asset has not yet been placed in service, the number of years after the date hereof (expressed as a positive number) the Asset is expected to be placed in service. None of the Assets have been placed in service; however this adjustment has been disregarded in the above computation. The Lessee reserves the right to make this adjustment at a later date.

4 The Adjusted Economic Life of the Asset (B) plus (C)).

5 The Cost of the Asset (expressed in dollars).

6 The product of the Adjusted Economic Life of the Asset (D) and the Cost of the Asset (E).

| | | | | | |
|---|---|---|---|---|---|
| Consulting | 45 | 54 | 54 | 14,223,264 | 768,056,256 |
| Contingencies | 45 | 54 | 54 | 247,408 | 13,360,032 |
| Total | | | | $415,072,380 | 20,139,467,698 |

120% of the Average Reasonably Expected Economic Life of the portion of the Facility financed by the Series 2002 Bonds:[7] 48.52 Years

[7] The sum of (F) divided by the sum of (E).

DMJM Aviation

*Building Airports Better*

July 30, 2002

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Re: Useful Life of New Terminal Buildings
At John F. Kennedy International Airport

Ladies and Gentlemen:

Based on our experience with airport terminals, the useful life of the new terminal buildings, if properly operated and maintained, will be at least 45 years.

Very truly yours,
DMJM Aviation

David D. Brown
Project Director

P.O. Box 300747 - JFK Airport Station ❖ Jamaica, NY 11430 Tel: 718-995-2045 ❖ Fax: 718-632-3478

**SCHEDULE 2**

_____, 200_

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Re: Useful Life of _____ for new Terminal
at John F. Kennedy International Airport

Ladies & Gentlemen:

Based on our experience with airport terminals, the useful life of _____, if properly operated and maintained, will be at least _____ years.

Very truly yours,

[Name of Consultant or Name of Facilities Management Department of American Airlines]

By:_____
Name:
Title:

**EXHIBIT E**

**Inducement Resolution**

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

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

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

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

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

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

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

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

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

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

The Agency further determines that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Section 13.** This Resolution is to take effect immediately.

ADOPTED: December 9, 1999.

Accepted _____, 1999.

**AMERICAN AIRLINES, INC.**

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____

(SEAL)

_____

ATTEST:



512-v2 0067741-0079

## EXHIBIT F

**TEFRA Notice - Proof of Publication**

ida New York City
Industrial Development Agency

# MEMORANDUM

**TO:** The Honorable Daniel L. Doctoroff
Deputy Mayor for Economic Development and Rebuilding

**FROM:** Michael G. Carey

**RE:** **American Airlines, Inc.** – Approval to issue up to $700 million of triple tax-exempt bonds constituting the first tranche on a multiphase $1.3 billion financing at John F. Kennedy Airport

**DATE:** January 14, 2002

---

General Background:

**American Airlines, Inc. ("American"), a subsidiary of AMR Corporation ("AMR")**, was founded in 1934 and is one of the largest scheduled passenger airlines in the world. At the end of the year 2000, the company provided scheduled jet service with over 4,100 daily flights to more than 240 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American also operates five hubs: Dallas/Forth Worth (DFW), Chicago O'Hare, Miami, St. Louis Lambert, and San Juan, Puerto Rico. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system. The company's revenues in fiscal year 2000 were $20 billion, 35% of which was derived from its foreign operations. Also in fiscal year 2000, 82 million passengers boarded American flights. The company also acquired Trans World Airlines ("TWA") in April 2001 and the former TWA company is expected to account for approximately 20% of American's passenger load in years going forward.

Project Description:

American plans to renovate its existing aircraft hangars and demolish passenger terminals 8 and 9 at John F. Kennedy International Airport ("JFK"), and to equip and construct a new terminal with associated arrival and departure ramps and parking facilities on the land currently occupied by terminals 8 and 9 (the new facilities to be referred to as,"T8-T9"). American anticipates that the new terminal will contain 57 gates distributed over 2,000,000 square feet. The new structure will streamline and consolidate operations to reduce delays, increase passenger comfort, generate additional terminal revenues and diversify flight capacity. Construction will be in four stages enabling American and affiliate American Eagle to continue flying their full schedules throughout the project construction period. The company's ultimate goal is to upgrade services at the JFK facility to a level consistent with that offered at a hub. American will lease the land from the Port Authority of New York and New Jersey ("Port Authority") through the year 2015. American and The City of New York (the "City") have also come to substantial agreement on an Agreement to Enter into Lease ("ATEIL") in which the City agrees to enter into a direct lease with American upon the expiration of American's lease with the Port Authority, thereby enabling American to market and sell bonds maturing after the expiration of American's lease with the Port Authority and the Port Authority's lease with the City. A duly noticed public hearing was held by the Mayor's Office of

Contracts on December 5, 2001 pursuant to New York City Charter Section 1301 (2) (1) thereby authorizing the City's lease of airport property. No testimony was presented at the hearing and the hearing was closed. The Port Authority's Board of Commissioners met on December 13, 2001, at which time the Port Authority's staff presented for approval a supplement to the Port Authority-American lease which, among other things, recognizes the ATEIL, a City-American lease as contemplated in the ATEIL and a City-American recognition, non-disturbance and attornment agreement. The Port Authority Board at that meeting unanimously approved the item. The minutes of the meeting were transmitted to the governors of New York and New Jersey on December 17, 2001 and the statutory ten (10) business day period during which they can approve or disapprove the minutes of the Board meeting has lapsed without action. Therefore, as of January 2, 2002, the minutes are deemed approved.

Construction on the overall T8-T9 project is estimated to cost $995,208,640; machinery and equipment is expected to cost $171,014,360; and fees and soft costs are projected at $88,757,000. American has included a contingency of $45,000,000 as part of project costs to bring estimated costs to a total of $1,299,980,000. The company plans to issue between $500,000,000 and $700,000,000 in triple tax-exempt bonds in the first tranche to recoup funds already spent as well as to partially pre-fund 2002 costs. It is also anticipated that the balance of the triple tax-exempt bonds will be authorized and issued during 2002. Following the events of September 11th, the development of this project has become more critical to the financial health of the company, and management has targeted 2006 for the completion of the project, a year earlier than originally anticipated.

This project will allow American to expand at JFK to create hub type services. In preparation for this, within the past two years the company purchased Business Express, an airline that provides service throughout the Northeast. These routes will be serviced by American Eagle and will connect with American at JFK. American also purchased TWA earlier this year. In order to expand market access and to remain competitive, American in the last few years has entered into a number of marketing agreements and partnerships and generates revenues by leasing gate space to at least 5 international airlines. American plans to expand this program at the new terminal. In 1985 American sold off its food service company, LSG Skychefs ("LSG"). LSG has expanded in recent years and has taken over the management of retail operations at the existing passenger terminals. Last year, following a reorganization of retail space at the terminals, LSG doubled revenues from these operations. The new terminal will increase the square footage available for retail use by 100 percent.

Job retention and job creation estimates are below:

| | **Original Job #*** | **Revise To Job #***** | **Total** |
|---|---|---|---|
| Retained: | 4,700 | 395 | 5,095 |
| TWA takeover: | | 509 | 509 |
| Job Growth: | 1,200** | 0 | 1,200 |
| Total: | 5,900 Jobs | 904 Jobs | 6,804 Jobs |

[1]* Estimates presented at time of original IDA application in 1999.
**American estimates that a majority of the jobs being created will come on board immediately following the project construction period. Management also estimates that an additional 1,000 construction jobs will be created.
***In December 2001, American revised its job statistics based on TWA acquisition and recent job growth.

Clearance and Due Diligence:

All due diligence for American was completed by EDC staff at the time of inducement. American's relationship with its bank was deemed satisfactory. The VENDEX check and subsequent inquiries revealed no derogatory information. The IDA Board of Directors approved the project by an Inducement Resolution at its meeting on December 9, 1999. The IDA Board of Directors approved an Authorizing Resolution at its meeting on October 23, 2001 authorizing the issuance of approximately $250,000,000 in triple tax-exempt bonds. Following a revision of the construction timetable by American, an Amending Authorizing Resolution was subsequently approved at the IDA Board of Directors meeting on November 13, 2001 approving an increase in the authorized first bond amount to approximately $700,000,000 in triple tax-exempt bonds. The final bond amount for the first issue is still under review, but is anticipated to be less than the maximum approved amount in the Amending Authorizing Resolution. American's rating was recently revised by the major bond rating agencies as a result of the September 11th events, a November American flight crash (both in New York City) and the generally troubled financial state of the airline industry. The present corporate bond ratings from Standard and Poor's and Moody's, respectively, are BB and B1. Based on the airline's present bond ratings, the IDA is requiring that the bonds be sold in higher dollar denominations to institutional investors. Despite these events, American still believes that the triple tax-exempt bonds will be issued at a cost-effective interest rate and expects that its ability to service the proposed debt will remain intact.

**BOND APPROVAL**

I, Michael R. Bloomberg, the Mayor of The City of New York, in accordance with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and in reliance upon certain recommendations and other information submitted to me by the Chairman of the New York City Industrial Development Agency, do hereby approve the following proposed project and bond issue for the New York City Industrial Development Agency (the "Agency"):

Approximately $700,000,000 (triple tax-exempt) special facility revenue bonds (American Airlines, Inc. John F. Kennedy International Airport Project) for the benefit of American Airlines, Inc. in connection with the construction, equipping, improvement and renovation of an air passenger terminal consisting of (a) (i) the phased demolition of Terminals 8 and 9 and existing arrival and departure ramps, and (ii) the construction and equipping of an approximately 2,000,000 square foot new terminal, new arrival and departure ramps, and associated parking facilities, all on an approximately 108 acre parcel of land and (b) the renovation of existing aircraft hangers on an approximately 70 acre parcel in the vicinity of Terminals 8 and 9, all located at John F. Kennedy International Airport, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from New York City and New York State sales and use taxes.

**MAYOR**

Dated: New York, New York

2/14/02, 2002

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses

already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York

City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doormart U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond

financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately

6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, **March 13, 2000**. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

NEW YORK POST

Published on February 4, 2000 for March 13, 2000 IDA Public Hearing

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds, to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, approximately shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 106 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in-progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 85,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of : an approximately 14,869 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereof of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street; all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 26,000 square foot addition to the existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 85th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation for affiliate therein, in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doorwarl U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 26,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Bell Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,990 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,972 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Lexcadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 18, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 15) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 10th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 282,297 square foot facility on an approximately 36,800 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and coverlets, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 31 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1318 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York for approximately 225,000 square feet; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Reel Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universal Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, March 13, 2000. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

**State of New York**
COUNTY OF NEW YORK

SS:

BYRON STEVENS being duly sworn, says that he/she is the principal Clerk of the Publisher of the

# *New York Post*

a daily newspaper of general circulation printed and published in the English language, in the County of New York, State of New York; that advertisement hereto annexed has been regularly published in the said "NEW YORK POST" once,

299613 on the 12 day of February, 2000

Sworn to before me this 23 day of FEB 2000

**Notary Public**

DEBORAH P. ROSEN
Notary Public, State of New York
No. 01RO5023290
Qualified in Kings County
Commission Expires Jan. 31, 2002

## INDUSTRIAL DEVELOPMENT AGENCY

■ PUBLIC HEARINGS

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board-games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacture and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 squar foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Cor d/b/a. Doormart U.S.A., a new company to formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 38,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, **March 13, 2000.** Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

☞ m3

I, Zsa Johnstone-Mosher, Paralegal, at New York City Economic Development Corporation, hereby depose and say that the notice attached hereto was taken from and published in the City Record dated March 3, 2000 , volume CXXVII, # 43

Zsa Johnstone-Mosher

State of New York )
) ss.
County of New York )

Sworn to before me this
9th day of March, 2000.

Carol M. Hyde
Notary Public

CAROL M. HYDE
Notary Public, State of New York
No. 4977270
Qualified in Queens County
Commission Expires Jan. 28, 2001

o:\publicno\afficav1

**PUBLIC HEARING**
**NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY**
**110 WILLIAM STREET, NEW YORK, NEW YORK**
**MARCH 13, 2000, 10:00 A.M.**

**MR. MARSHALL:**

"This hearing will come to order. This is a hearing on each of the proposed projects to be described in a few minutes, called by the Mayor of the City of New York and the New York City Industrial Development Agency (the "Agency") pursuant to Section 147(f) of the Internal Revenue Code and Section 859(a) of the General Municipal Law of the State of New York and pursuant to a public notice published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000.

My name is Richard Marshall, and I am Vice President for Legal Affairs at the New York City Industrial Development Agency. I have been designated to preside at these hearings.

At this time I will ask for an appearance on behalf of the Agency."

**MS. JOHNSTONE-MOSHER:**

"I am Zsa Johnstone-Mosher, Paralegal at the New York City Economic Development Corporation which, under contract, provides administrative and legal services to the Agency. In such connection I assist the General Counsel of the Agency."

**MR. MARSHALL:**

"The New York City Industrial Development Agency is empowered under the New York State Industrial Development Agency Act to issue tax-exempt, non-recourse revenue bonds to provide financing and financial assistance for industrial, manufacturing, warehousing, commercial, research and civic projects, and to enter into industrial and small industry incentive (straight-lease) transactions, also to provide financial assistance for the same projects, and thereby advance job opportunities, general prosperity and economic welfare of the people of the City of New York and to improve their prosperity and standard of living.

The Agency has been requested (i) to provide financial assistance to and to make the proceeds of its bonds available for the financing of a number of such projects, and/or (ii) to provide financial assistance through industrial and small industry incentive (straight-lease) transactions, also to a number of such projects, and our purpose at today's public hearing is to set forth information with respect to each of the projects and proposed financial assistance related thereto and to answer any questions the audience may have concerning them. In addition, at this time the Agency is providing the public with an opportunity to review the project application and the cost-benefit analysis for each of the proposed projects covered by this hearing today. Copies

of the foregoing materials will be annexed to the transcript which the Agency will prepare to record this hearing."

**MS. JOHNSTONE-MOSHER:**

"The published public notices of this hearing invited written comments from interested persons to be submitted to the Agency at its offices at 110 William Street, New York, New York 10038. To date, the Agency has received no written comments. The public notices also requested that any persons desiring to make a brief statement regarding any of the projects provide prior written notice thereof to the Agency. To date, the Agency has received no such notices."

**MR. MARSHALL:**

"A brief description of each project will be given, and anybody wishing to be heard in connection with that project should give his name and address to me and I will call upon you in the order in which your names are received. All questions or statements are to be limited to three minutes."

**MS. JOHNSTONE-MOSHER:**

"At this time I would like to offer copies of the Notice of Public Hearing published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000, together with respective affidavits of publication.

The first project involves an approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes."

**MR. MARSHALL:**

"Has anyone registered with you to be heard in connection with this project?"

**MS. JOHNSTONE-MOSHER:**

"No one has registered to be heard in connection with this project."

**MR. MARSHALL:**

"Is there anyone present who has not registered who wishes to be heard in connection with this project?"

**MS. JOHNSTONE-MOSHER:**

"There is no one present who wishes to be heard in connection with this project."

**MR. MARSHALL:**

"There being no further statements or submissions, I hereby declare the hearing on the American Airlines, Inc. project to be closed."

## Amending Authorizing Resolution

November 13, 2001

Applicant: American Airlines, Inc. ("American")

Project Location: Terminals 8 & 9, JFK International Airport ("JFK")
Jamaica, Queens, New York

Resolution Sought: Amending Authorizing Resolution for approximately $700,000,000 Triple Tax-exempt Special Exempt Facility Bonds

Project Managers: Carolyn Edwards *and* Anne Doyle

Project Counsel: Judy Fensterman

Outside Counsel: Hawkins Delafield & Wood

Business: Domestic and international air passenger carrier

Employment (Jobs):

| | Original Job # | Job (Loss)/Increase | Revised Total |
|---|---|---|---|
| Retained: | 4,700 | 395 | 5,095 |
| TWA | 1,635 | (1,126) | 509 |
| Projected Growth: | 1,200* | | 1,200 |
| Total: | 7,535 | 731 | 6,804** |

*American estimates that a majority of the jobs being created will come on stream immediately following the estimated five-year construction period. Management also estimates that an additional 1,000 construction jobs will be created.
** The overall job loss after the TWA merger totaled 731.

Project Description: American Airlines is seeking IDA bond financing to demolish and reconstruct a new terminal and associated approach ramps and parking facilities. The company also plans to equip the facilities and to renovate existing American Airlines hangars at this location. The new terminal will increase by 1,104,170 square feet, to a total of 2,000,000 square feet, the space available for American's passenger terminal operations. When the project is completed, the improved terminal will house expanded check-in capacity (from 162 to 220 check-in stations); increased retail space (from 29,600 square feet to 75,000 square feet); increased and improved security systems (that will continue to be backed by ongoing staff training and equipment upgrades); expanded lounges and increased number of immigration check-ins (from 18 to 48). The new parking lot will increase parking spaces available to the public from 850 to 2,400. Total bonds issued for the project described will be approximately $1,300,000,000 and will be issued in tranches over the period of construction.

Prior Board Action:

Inducement Resolution for $1,300,000,000 approved December 8, 1999; Authorizing Resolution for $250,000,000 approved October 23.

Summary of Developments:

American has re-estimated its current construction reimbursement and new money needs and expects to increase its first tranche of triple-tax exempt bonds to as much as $700,000,000 as it accommodates a more aggressive construction schedule.

The company has received commitment letters from Salomon Smith Barney Inc., Merrill Lynch & Company and JP Morgan & Company to act as senior underwriters for this tranche of the bond issuance. There will also be a group of co-underwiters associated with the sale of the bonds.

The bonds will be rated at the level of American Airlines, are expected to be multi-modal with both fixed and variable rate debt, and the interest rates are not expected to exceed 15 percent. The principal will be amortized over a period not to exceed 40 years. The present ratings for American Airlines are Ba2 (Moody's) and BB (Standard & Poor's).

Proceeds will be used to reimburse the company for expenses relating to construction carried out during the least year and a half and upcoming construction costs. So far, one of the proposed concourses is almost complete and the majority of associated roadwork has been initiated. Management estimates that the completed terminal will be up and running by 2006.

Staff recommends that the IDA Board of Directors approve this resolution.

**Exhibit B**

**Issue Price Certificate**

New York City Industrial
Development Agency
110 William Street
New York, New York 10038

Winston & Strawn
200 Park Avenue
New York, New York 10166

Ladies and Gentlemen:

This letter is furnished by Salomon Smith Barney Inc., as the senior managing underwriter for the $120,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) and the $380,000,000 New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (collectively, the "Series 2002 Bonds"), to provide the New York City Industrial Development Agency (the "Agency") and Winston & Strawn, as bond counsel in respect of the Series 2002 Bonds, with certain information in connection with the issuance of the Series 2002 Bonds. Unless otherwise defined herein, capitalized terms used in this letter have the meanings given to them in the Tax Certificate to which this certificate is attached as Exhibit B.

WE HEREBY CERTIFY as follows:

1. We reasonably expected on the date the Bond Purchase Agreement was signed (July 25, 2002), based on prevailing market conditions at that time, that all the Series 2002 Bonds would be sold at an amount not in excess of the initial offering prices, or in case of bonds sold on a yield basis, at yields not less than the yields, to the public (excluding bond houses, brokers and other intermediaries or similar persons or organizations acting in the capacity of underwriters or wholesalers) as set forth on the inside of the cover page of the Official Statement of the Agency with respect to such Series 2002 Bonds (the "Official Statement").

2. Based on our records and other information available to us which we have no reason to believe is not correct, all the Series 2002 Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers, and other intermediaries or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices no higher than the initial prices shown on the inside of cover page of the Official Statement, or, in the case of Series 2002 Bonds sold on a yield basis, at yields no lower than the respective yields shown on the inside of the cover of the Official Statement (the "Initial Public Offering Prices"), plus accrued interest.

3. Based on our records and other information available to us which we have no reason to believe is not correct, at least 10 percent of each maturity of the Series 2002

Bonds was sold to the public (excluding bond houses, brokers, and other intermediaries, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices equal to the Initial Public Offering Prices.

4. The Series 2002 Debt Service Reserve Accounts and the amount of the Debt Service Reserve Account Requirements for the Series 2002 Bonds are of the type and size of accounts customarily required in financings of the size and nature of the Series 2002 Bonds and the failure to provide for these accounts at their required amounts would materially and adversely affect the interest rates or yields at which the Series 2002 Bonds could be sold. In addition, if the Lessee had not agreed to execute and deliver the Leasehold Mortgage upon the satisfaction of certain conditions and to establish and fund the Foreclosure Payment Account in the amount of the Foreclosure Payment Account Requirement, the interest rates or yields at which the Series 2002 Bonds could be sold would have been materially and adversely affected.

5. We have computed a yield of 8.983171% on the Series 2002 Bonds. Such yield has been computed by the actuarial method, using a 360 day year and semi-annual compounding and is that percentage rate which, when used in computing the present value of all payments of principal and interest on the Series 2002 Bonds, produces an amount equal to the Initial Public Offering Prices of the Series 2002 Bonds, plus accrued interest. However, we are not accountants or actuaries, nor are we engaged in the practice of law. Accordingly, while we believe the calculation to be correct, we do not warrant it to be so, nor do we warrant its accuracy for purposes of Section 103 of the Internal Revenue Code of 1986, as amended.

No representation is made as to the legal sufficiency of this certificate for any purpose. We assume no obligation to advise you of any changes that come to our attention subsequent to the date hereof that would cause us to alter in any respect the information set forth herein. We understand that the foregoing information will be relied upon by the Agency for the purposes of making certain of the representations contained in the tax certificates, and will be relied upon by bond counsel, Winston & Strawn, in rendering its opinion that interest on the Series 2002 Bonds is excludable from gross income of the owners thereof for federal income tax purposes.

Dated: July 31, 2002

Salomon Smith Barney Inc.

By: _____
Name: Robert J. DeMichiel
Title: Managing Director

**Exhibit C**

**Order of Assignment**

[Not Applicable]