

**NEW ISSUE - BOOK ENTRY ONLY**

**Ratings:**  
(See "PART 19 - RATINGS" herein)

*In the opinion of Squire Patton Boggs (US) LLP and D. Seaton and Associates, P.A., P.C., Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes, except interest on any Series 2016A Bond for any period during which it is held by a "substantial user" of the facilities financed or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Series 2016A Bonds may be subject to certain federal taxes imposed only on certain corporations. Interest on the Series 2016B Bonds is not excluded from gross income for federal income tax purposes and is not exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. For a more complete discussion of the tax aspects, see "PART 17 – TAX MATTERS" herein.*



**\$2,410,380,000**  
**NEW YORK TRANSPORTATION**  
**DEVELOPMENT CORPORATION**



**\$2,260,380,000**

**SPECIAL FACILITIES BONDS, SERIES 2016A**  
**(TAX-EXEMPT) (AMT)**

**\$150,000,000**

**SPECIAL FACILITIES BONDS, SERIES 2016B**  
**(TAXABLE)**

**(LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT) (LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)**

**Dated: Date of Issuance**

**Due: January 1 and July 1, as shown on the inside cover**

The New York Transportation Development Corporation (the "Issuer") is issuing its Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT) (LaGuardia Airport Terminal B Redevelopment Project) (the "Series 2016A Bonds") and its Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project) (the "Series 2016B Bonds") and, together with the Series 2016A Bonds, the "Series 2016 Bonds") pursuant to an Indenture of Trust, dated as of May 1, 2016 (the "Indenture"), between the Issuer and The Bank of New York Mellon, as trustee (the "Trustee").

The proceeds of the Series 2016 Bonds will be loaned to LaGuardia Gateway Partners, LLC, a Delaware limited liability company (the "Borrower"), pursuant to a Building Loan Agreement (the "Building Loan Agreement") and a Project Loan Agreement (the "Project Loan Agreement" and together with the Building Loan Agreement, the "Loan Agreements") each dated as of May 1, 2016, by and between the Issuer and the Borrower, and used (i) to finance a portion of the costs relating to the design and construction of the Construction Project (as described herein), which includes a new Terminal B (the "New Terminal B") to be constructed by the Borrower at LaGuardia Airport in Queens, New York (the "Airport"), (ii) to partially fund a capitalized interest account during construction (but subject to withdrawal to pay Project Costs (as described herein)), (iii) to fund the working capital reserve account, and (iv) to pay certain costs of issuance related to the Series 2016 Bonds. The Borrower will execute and deliver two promissory notes (the "Building Loan Note" and the "Project Loan Note," together, the "Series 2016 Notes") in favor of the Issuer and the Issuer will, in turn, assign its right, title, and interest under the Loan Agreements and the Series 2016 Notes to The Bank of New York Mellon, as collateral agent (the "Collateral Agent") and securities intermediary, as security for the Series 2016 Bonds.

The Port Authority of New York and New Jersey (the "Port Authority") will enter into a Lease Agreement, dated the date of issuance of the Series 2016 Bonds, with the Borrower, pursuant to which, among other things, the Borrower is obligated to consummate the following: (i) the operation, maintenance, financing and demolition of the existing Terminal B and related infrastructure (the "Existing Terminal B Facilities") and certain ancillary facilities (collectively the "Existing Facilities"), (ii) the design, construction, financing, operation, and maintenance of the New Facilities (as described herein), which include the New Terminal B and certain ancillary facilities and related infrastructure, (iii) the design and construction of the New Improvements (as described herein) on behalf of the Port Authority, which include certain associated airfield modifications, public roadways, public parking structures and other improvements (which New Improvements, when completed, will not be operated or maintained by the Borrower and will not constitute part of the facilities leased to the Borrower under the Lease Agreement), and (iv) the design, construction, operation, and maintenance of a new central arrivals/departure hall (the "Central Hall"). The Lease Agreement terminates on December 30, 2050, the termination of the City Lease (as described herein), or upon earlier termination in accordance with the terms thereof.

The costs of the Construction Project (other than the New Improvements and the Central Hall) will be funded with the proceeds of (i) the Series 2016 Bonds, (ii) certain revenues received from the operation of the Existing Facilities and the New Facilities (together, "Terminal B Facilities"), (iii) equity contributions from the Borrower, and (iv) interest income. The Port Authority will separately provide funding to support the construction of the New Improvements, the Central Hall, and a portion of the New Facilities.

The Borrower will pay its obligations under the Loan Agreements and the Series 2016 Notes primarily from certain revenues (excluding Non-Pledged Receipts (as described herein)) it receives from the operation of the Terminal B Facilities, including payments made by airlines, providers of concession goods and services, and other commercial users of the Terminal B Facilities. The Series 2016 Bonds are secured by (i) all right, title, and interest of the Issuer (except for the Issuer's Reserved Rights as described herein) in and to the Loan Agreements and the Series 2016 Notes, (ii) moneys and obligations held by the Trustee under the Indenture (except moneys held in the Rebate Account as described herein), and (iii) certain collateral (including pledged funds and accounts) held by the Collateral Agent, pursuant to the Collateral Agency Agreement, dated as of May 1, 2016 among the Borrower, the Collateral Agent, the Trustee, and certain other parties (the "Collateral Agency Agreement"). The Collateral held by the Collateral Agent includes the Leasehold Mortgages encumbering the Borrower's interest in the Lease Agreement. The Collateral also includes other security held under the documents and instruments more fully described herein, including the (i) Collateral Agency Agreement, (ii) Borrower Security Agreement, (iii) Assignment of Leases and Rents, and (iv) Direct Agreements. See "PART 3 – SECURITY FOR THE SERIES 2016 BONDS," "PART 12 – AERONAUTICAL REVENUES," and "PART 13 – NON-AERONAUTICAL REVENUES" herein.

The scheduled payment of principal of and interest on the Series 2016A Bonds maturing on July 1, 2035, July 1, 2036, July 1, 2037, and January 1, 2051 (the "Insured Bonds"), when due, will be guaranteed by a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp.



The Series 2016 Bonds are being issued as fully registered bonds in denominations of \$5,000 or in integral multiples thereof. The Series 2016 Bonds will bear interest at the rates shown on the inside cover hereof and interest shall be payable semi-annually on January 1 and July 1 of each year, commencing on July 1, 2016. Principal payments on the Series 2016 Bonds shall be payable semi-annually on January 1 and July 1 of each year, commencing on July 1, 2024. See "PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS" herein. The Series 2016 Bonds are subject to optional, extraordinary, and mandatory redemption prior to maturity as described herein. See "PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS – Redemption of the Series 2016 Bonds" herein.

The Series 2016 Bonds will be issued in book-entry-only form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The payment of the principal or interest on the Series 2016 Bonds will be made by the Trustee directly to Cede & Co., as described herein.

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

Investing in the Series 2016 Bonds is subject to numerous risks as described in "PART 16 – RISK FACTORS" herein.

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

The Series 2016 Bonds are being offered, subject to prior sale, withdrawal, or modification of the offer without notice and certain other conditions. Certain legal matters will be passed upon by Squire Patton Boggs (US) LLP, New York, New York, and D. Seaton and Associates, P.A., P.C., New York, New York, as Co-Bond Counsel to the Issuer, and Dentons US LLP, New York, New York, and the Law Offices of Joseph C. Reid, P.A., New York, New York, as Co-Disclosure Counsel. Certain legal matters will be passed upon for the Issuer by its General Counsel, for the Borrower by its counsel, O'Melveny & Myers LLP, for the Port Authority by its counsel, Orrick Herrington & Sutcliffe LLP, New York, New York, and by the Office of General Counsel of the Port Authority, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Series 2016 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 1, 2016.

**Citigroup**

**Wells Fargo Securities**

**Barclays**

**Ramirez & Co., Inc.**

**Siebert Brandford Shank & Co. LLC**

**\$2,260,380,000**  
**SPECIAL FACILITIES BONDS, SERIES 2016A**  
**(TAX-EXEMPT) (AMT)**  
**(LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)**  
**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND CUSIPS<sup>(1)</sup>**

**\$10,100,000 Series 2016A Serial Bonds**

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
July 1, 2030	\$10,100,000	5.00%	2.69%*	650116AU0

**\$2,250,280,000 Series 2016A Term Bonds**

\$39,530,000	4.00%	Term Bond Due July 1, 2031	Yield 3.04%*	CUSIP 650116AH9
\$44,230,000	4.00%	Term Bond Due July 1, 2032	Yield 3.07%*	CUSIP 650116AJ5
\$49,190,000	4.00%	Term Bond Due July 1, 2033	Yield 3.13%*	CUSIP 650116AK2
\$54,560,000	5.00%	Term Bond Due July 1, 2034	Yield 2.89%*	CUSIP 650116AL0
\$60,490,000	4.00%	Term Bond Due July 1, 2035	Yield 3.01%*	CUSIP 650116AM8 †
\$66,310,000	4.00%	Term Bond Due July 1, 2036	Yield 3.06%*	CUSIP 650116AN6 †
\$72,450,000	4.00%	Term Bond Due July 1, 2037	Yield 3.11%*	CUSIP 650116AP1 †
\$100,000,000	4.00%	Term Bond Due July 1, 2041	Yield 3.55%*	CUSIP 650116AS5
\$262,160,000	5.00%	Term Bond Due July 1, 2041	Yield 3.22%*	CUSIP 650116AQ9
\$100,000,000	4.00%	Term Bond Due July 1, 2046	Yield 3.60%*	CUSIP 650116AW6
\$555,610,000	5.00%	Term Bond Due July 1, 2046	Yield 3.27%*	CUSIP 650116AR7
\$633,050,000	5.25%	Term Bond Due January 1, 2050	Yield 3.30%*	CUSIP 650116AV8
\$212,700,000	4.00%	Term Bond Due January 1, 2051	Yield 3.41%*	CUSIP 650116AT3 †

**\$150,000,000**  
**SPECIAL FACILITIES BONDS, SERIES 2016B**  
**(TAXABLE)**  
**(LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)**  
**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, AND CUSIPS<sup>(1)</sup>**

**\$43,710,000 Series 2016B Serial Bonds**

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number</u>
July 1, 2024	\$ 7,150,000	3.023%	100%	650116AX4
January 1, 2025	7,920,000	3.123	100	650116AY2
July 1, 2025	8,720,000	3.223	100	650116AZ9
January 1, 2026	9,540,000	3.273	100	650116BA3
July 1, 2026	10,380,000	3.323	100	650116BB1

**\$106,290,000 Series 2016B Term Bonds**

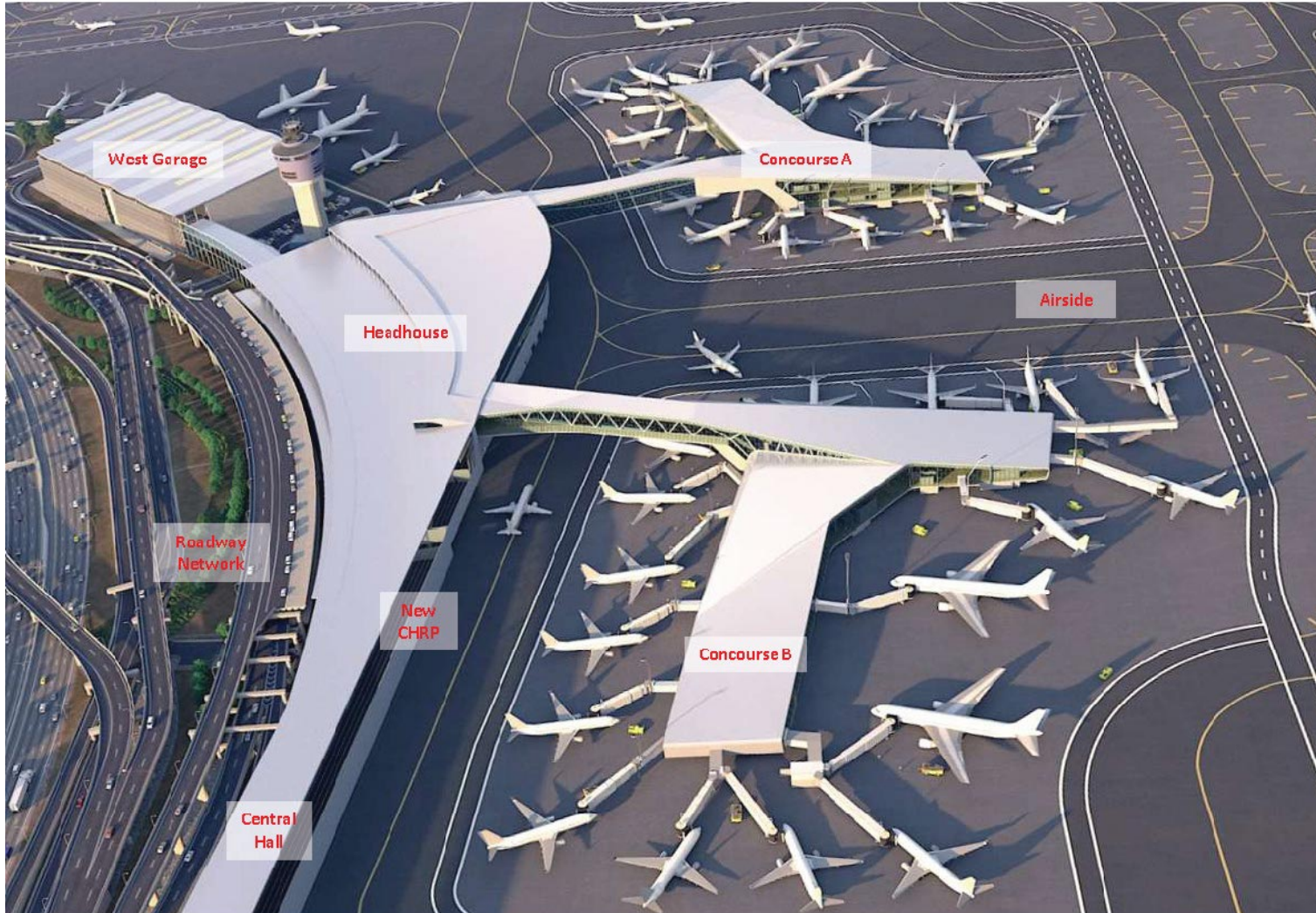
\$23,390,000	3.423%	Term Bond Due July 1, 2027	Priced at 100%	CUSIP 650116BC9
\$27,050,000	3.473%	Term Bond Due July 1, 2028	Priced at 100%	CUSIP 650116BD7
\$30,920,000	3.573%	Term Bond Due July 1, 2029	Priced at 100%	CUSIP 650116BE5
\$24,930,000	3.673%	Term Bond Due July 1, 2030	Priced at 100%	CUSIP 650116BF2

\* Priced at the stated yield to the first optional call date of July 1, 2024 at a redemption price of 100%.

† Insured by Assured Guaranty Municipal Corp.

<sup>(1)</sup> CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2016 Bonds. The Issuer, the Port Authority, and the Borrower are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016 Bonds.

## New Terminal B Construction Project at LaGuardia Airport



Prepared by: Ricondo & Associates, Inc.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



## IMPORTANT INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the Issuer, the Borrower, the Port Authority, and other sources which are believed to be reliable. As to information and expressions of opinion from the Borrower, it is to be construed as a representation by or opinion of the Borrower and not a representation by or opinion of the Issuer or the Port Authority. As to information and expressions of opinion from the Port Authority, it is to be construed as a representation by or opinion of the Port Authority and not a representation by or opinion of the Issuer or the Borrower. The information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the information or opinions stated herein or in the affairs of the Issuer, the Borrower, or the Port Authority since the date hereof.

The Issuer has provided the information set forth under the headings “PART 6 – PROJECT PARTICIPANTS – The Issuer” and “– Directors and Officers of the Issuer” and “PART 22 – LITIGATION – The Issuer,” but has not reviewed or approved, and makes no representation, warranty, or certification as to the adequacy or accuracy of the information set forth anywhere else in this Official Statement.

The Port Authority has provided the information set forth under the headings “PART 5 – LAGUARDIA AIRPORT” (excluding the Report of the Airline Consultant (attached as APPENDIX B-1 hereto) and the Report of the Airline Traffic Forecast Consultant (attached as APPENDIX B-4 hereto) referred to in such “PART 5 – LAGUARDIA AIRPORT” and “PART 5 – LAGUARDIA AIRPORT – Passenger and Air Traffic – Air Trade Area” and “– Historical Airline Market Share of Enplaned Passengers at the Airport”), “PART 6 – PROJECT PARTICIPANTS – The Port Authority,” “PART 8 – THE LEASE AGREEMENT,” “PART 22 – LITIGATION – The Port Authority,” and “PART 25 – CONTINUING DISCLOSURE – Port Authority Continuing Disclosure,” and in APPENDIX C – “INFORMATION RELATING TO THE PORT AUTHORITY,” APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT,” and APPENDIX I-2 – “FORM OF PORT AUTHORITY CONTINUING DISCLOSURE AGREEMENT,” but has not reviewed or approved, and makes no representation, warranty or certification as to the adequacy or accuracy of the information set forth anywhere else in this Official Statement (including any information contained herein or in any appendix obtained from any consultant of the Borrower).

The Borrower has provided all information in this Official Statement not provided by the Issuer, the Port Authority, Assured Guaranty Municipal Corp. (“AGM”), or the Underwriters.

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

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY ALSO COMMUNICATE INDEPENDENT INVESTMENT RECOMMENDATIONS, MARKET COLOR, OR TRADING IDEAS AND/OR PUBLISH OR EXPRESS INDEPENDENT RESEARCH VIEWS IN RESPECT OF THE SERIES 2016 BONDS AND MAY AT ANY TIME HOLD OR RECOMMEND TO CLIENTS THAT THEY SHOULD ACQUIRE LONG AND/OR SHORT POSITIONS IN SUCH SERIES 2016 BONDS.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality, or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.

The contents of this Official Statement are not to be construed as legal, business, or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business, and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2016 Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2016 Bonds.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2016 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2016 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2016 Bonds in any jurisdiction in which such offer, solicitation, or sale is not qualified under applicable law or to any person to whom it is unlawful to make such offer, solicitation, or sale.

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

Where statutes, reports, agreements, or other documents are referred to herein, reference should be made to such statutes, reports, agreements, or other documents for more complete information regarding the rights and obligations of the parties thereto, facts and opinions contained therein, and the subject matter thereof, and all summaries of such statutes, reports, agreements, or other documents are qualified in their entirety by reference to such statutes, reports, agreements, or other documents.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX B-1 – “REPORT OF THE AIRPORT CONSULTANT,” APPENDIX B-2 – “REPORT OF THE LENDERS’ TECHNICAL ADVISOR,” APPENDIX B-3 – “REPORT OF THE INSURANCE CONSULTANT,” APPENDIX B-4 – “REPORT OF THE AIRLINE TRAFFIC FORECAST CONSULTANT,” and APPENDIX B-5 – “REPORT OF THE CONCESSION FORECAST CONSULTANT.” Such forward-looking statements speak only as of the date of this Official Statement. A number of important factors affecting the Borrower, the Port Authority, the Terminal B Facilities and the Construction Project could cause actual results to differ materially from those stated in the forward-looking statements.

Forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social, and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions, and circumstances, many of which are beyond the control of the Borrower. THE BORROWER, THE ISSUER, AND THE PORT AUTHORITY DISCLAIM ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”).

AGM makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “PART 3 – SECURITY FOR THE SERIES 2016 BONDS – Bond Insurance” and APPENDIX K – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

THIS OFFICIAL STATEMENT INCLUDES THE COVER PAGE, THE INSIDE COVER PAGE, THE SUMMARY STATEMENT, THE APPENDICES, AND THE INFORMATION INCLUDED BY SPECIFIC CROSS-REFERENCE HEREIN AND SHOULD BE READ IN ITS ENTIRETY. INFORMATION CONTAINED ON THE WEBSITES OF THE BORROWER, THE PORT AUTHORITY, OR THE CONSULTANTS DO NOT CONSTITUTE PART OF THIS OFFICIAL STATEMENT.

**NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION**

**Directors**

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

**Officers**

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

**Co-Bond Counsel**

Squire Patton Boggs (US) LLP  
D. Seaton and Associates, P.A., P.C.

**Co-Disclosure Counsel**

Dentons US LLP  
Law Offices of Joseph C. Reid, P.A.

**Trustee**

The Bank of New York Mellon

**Collateral Agent**

The Bank of New York Mellon



## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY STATEMENT .....	i
PART 1 – INTRODUCTION .....	1
PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS .....	3
Denominations, Registration and Exchange .....	3
Delivery .....	3
Payment Dates .....	3
Payment of Principal .....	3
Payment of Interest .....	4
Redemption of the Series 2016 Bonds .....	4
Selection of Bonds to be Redeemed or Purchased in Lieu of Redemption .....	10
Notice of Redemption .....	10
Payment of Redeemed Series 2016 Bonds .....	11
PART 3 – SECURITY FOR THE SERIES 2016 BONDS .....	12
The Loan Agreements .....	12
Rate Covenant .....	12
Debt Service Reserve Account .....	12
The Indenture .....	13
The Collateral Agency Agreement .....	15
The Leasehold Mortgages .....	16
The Borrower Security Agreement .....	17
The Assignment of Leases and Rents .....	18
Direct Agreements .....	18
Port Authority Payments Upon Certain Early Terminations of the Lease Agreement, the City Lease or Upon Acceleration of Series 2016 Bonds .....	18
Bond Insurance .....	19
PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT .....	21
Flow of Project Revenues .....	21
Flow of Funds Pre-Substantial Completion .....	23
Flow of Funds Post-Substantial Completion .....	24
PART 5 – LAGUARDIA AIRPORT .....	27
General .....	27
The City Lease .....	28
The Port Authority Operation of the Airport and Other Airports .....	28
Passenger and Air Traffic .....	29
Passenger Terminals .....	32
Historical Airline Market Share of Enplaned Passengers at the Airport .....	33
PART 6 – PROJECT PARTICIPANTS .....	37
The Issuer .....	37
Directors and Officers of the Issuer .....	37
The Port Authority .....	38
The Borrower .....	39
The Equity Members .....	43
The Design-Builder .....	46
The Design-Builder Guarantors .....	46
The Manager .....	47
The Manager Guarantor .....	47
PART 7 – THE CONSTRUCTION PROJECT .....	47
Overview .....	47
Design and Construction Obligations .....	48
Advance Work Under the PNTP Agreement .....	51
Related LaGuardia Airport Terminal Projects .....	52
PART 8 – THE LEASE AGREEMENT .....	52
Principal Rights and Responsibilities of the Parties .....	52

Port Authority Retained Rights .....	55
Compensation Events .....	55
Delay Events.....	56
Termination Rights.....	57
Lenders’ Rights And Remedies; Refinancing .....	60
<b>PART 9 – PLAN OF FINANCE .....</b>	<b>62</b>
Overview .....	62
Sources and Uses of Funds for the Demolition Facilities and Construction of the New Facilities .....	63
Sources and Uses of Bond Proceeds.....	64
Sources and Uses of Funds for New Improvements and Central Hall.....	65
Construction Period Interest and Debt Service Reserve Requirement .....	65
Member Equity.....	67
Port Authority Funding.....	68
Project Components by Responsible Party .....	69
<b>PART 10 – THE DESIGN-BUILD CONTRACT .....</b>	<b>70</b>
Back-to-Back Obligations .....	70
DB D&C Work.....	70
Change Orders and Directives.....	73
Warranty.....	75
Compensation Events and Delay Events .....	75
Equivalent Project Relief.....	76
Delay and Liquidated Damages.....	77
Developer Acts and Developer Suspensions .....	78
Limitation of Liability .....	79
Indemnity .....	79
Construction Security .....	80
Suspension Rights .....	81
Termination Rights.....	83
<b>PART 11 – OPERATION AND MANAGEMENT OF THE PROJECT.....</b>	<b>86</b>
<b>PART 12 – AERONAUTICAL REVENUES .....</b>	<b>88</b>
Existing Terminal B Facilities and Existing Airline Subleases .....	88
New Terminal B Facilities and New Airline Subleases.....	90
Transition Principles to Facilitate Construction .....	93
<b>PART 13 – NON-AERONAUTICAL REVENUES .....</b>	<b>95</b>
Existing Terminal B Concessions Facilities.....	95
New Terminal B Facilities.....	96
Additional Non-Aeronautical Revenues.....	98
<b>PART 14 – THE CONSULTANTS’ REPORTS.....</b>	<b>98</b>
<b>PART 15 – DEBT SERVICE REQUIREMENTS FOR THE SERIES 2016 BONDS .....</b>	<b>101</b>
<b>PART 16 – RISK FACTORS .....</b>	<b>102</b>
General .....	102
Risks Associated with the Limited Recourse Obligations.....	102
Matters Relating to Enforceability of Financing Documents .....	103
Additional Senior Bonds .....	105
Bond Term Substantially Coterminous With Term of Lease Agreement.....	105
Risks Related to Collateral .....	105
Potential Adequacy of Funding Sources.....	106
Actual Results May Differ From Forecasts and Assumptions.....	108
Risks Related to the Lease Agreement .....	108
Risks Related to the City Lease.....	111
Risks Related to Operations at the Airport During Construction .....	112
Risks Related to Construction of the Construction Project .....	112
Risks Related to Changes in Law and Applicable Standards Changes.....	114
Risks Related to Certain Environmental, Health and Safety Considerations .....	114
Risks Related to Flood Risk and Possible Sea-Level Rise .....	115
Risks Related to Damage or Destruction of the Terminal B Facilities and Adequacy of Insurance .....	115

Risks Relating to No Title Insurance; No Legal Description .....	116
Risks Related to New York Lien Law; Effect of Failure to Comply.....	116
Risks Related to Exemption From Mortgage Recording Tax.....	117
Certain Airport Regulatory Considerations .....	117
Risks Related to Changes at Airlines Operating at Terminal B and the Airport .....	120
Risk Factors Relating to the Airline Industry .....	120
Possible Loss of Tax-Exempt Status of Interest on Series 2016A Bonds.....	125
PART 17 – TAX MATTERS .....	125
The Series 2016A Bonds .....	125
The Series 2016B Bonds .....	128
PART 18 – LIMITED LIABILITY FOR THE SERIES 2016 BONDS .....	130
PART 19 – RATINGS.....	131
PART 20 – UNDERWRITING .....	131
PART 21 – LEGAL MATTERS .....	132
PART 22 – LITIGATION .....	132
The Issuer .....	132
The Port Authority.....	133
The Borrower .....	133
PART 23 – CERTAIN RELATIONSHIPS .....	133
The Borrower and the Manager.....	133
The Borrower and the Design-Builder .....	133
Vantage and one of the Underwriters .....	133
PART 24 – FINANCIAL ADVISOR.....	133
PART 25 – CONTINUING DISCLOSURE .....	134
Borrower Continuing Disclosure.....	134
Port Authority Continuing Disclosure .....	136
Appendix A – Definitions .....	A-1
Appendix B-1 – Report of the Airport Consultant .....	B-1-1
Appendix B-2 – Report of the Lenders’ Technical Advisor.....	B-2-1
Appendix B-3 – Report of the Insurance Consultant .....	B-3-1
Appendix B-4 – Report of the Airline Traffic Forecast Consultant .....	B-4-1
Appendix B-5 – Report of the Concession Forecast Consultant .....	B-5-1
Appendix C – Information Relating to the Port Authority.....	C-1
Appendix D-1 – Certain Provisions of the Trust Indenture.....	D-1-1
Appendix D-2 – Certain Provisions of the Collateral Agency Agreement.....	D-2-1
Appendix D-3 – Certain Provisions of the Leasehold Mortgages .....	D-3-1
Appendix D-4 – Certain Provisions of the Loan Agreements .....	D-4-1
Appendix E – Summary of Certain Provisions of the Lease Agreement.....	E-1
Appendix F – Summary of Certain Provisions of the Design-Build Contract.....	F-1
Appendix G – Summary of Certain Provisions of the Management Services Agreement.....	G-1
Appendix H – Book-Entry Only System.....	H-1
Appendix I-1 – Form of Borrower Continuing Disclosure Agreement .....	I-1-1
Appendix I-2 – Form of Port Authority Continuing Disclosure Agreement.....	I-2-1
Appendix J – Form of Legal Opinion of Co-Bond Counsel .....	J-1
Appendix K – Specimen Municipal Bond Insurance Policy .....	K-1

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



## SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2016 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms in APPENDIX A – “DEFINITIONS” or as otherwise defined elsewhere in this Official Statement.

### **Authorization for the Series 2016 Bonds**

The New York Transportation Development Corporation (the “Issuer”) is issuing its Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT) (LaGuardia Airport Terminal B Redevelopment Project) (the “Series 2016A Bonds”) and its Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project) (the “Series 2016B Bonds”) and, together with the Series 2016A Bonds, the “Series 2016 Bonds”) pursuant to (i) resolutions of the Issuer adopted on April 26, 2016 and May 13, 2016 authorizing the issuance and sale of the Series 2016 Bonds and (ii) an Indenture of Trust, dated as of May 1, 2016 (the “Indenture”), by and between the Issuer and The Bank of New York Mellon, as trustee (the “Trustee”).

See “PART 9 – PLAN OF FINANCE.”

### **Purpose of Issue**

The proceeds of the Series 2016 Bonds will be loaned to LaGuardia Gateway Partners, LLC, a Delaware limited liability company (the “Borrower”), pursuant to a Building Loan Agreement (the “Building Loan Agreement”) and a Project Loan Agreement (the “Project Loan Agreement,” and together with the Building Loan Agreement, the “Loan Agreements”), each dated as of May 1, 2016, by and between the Issuer and the Borrower, and such loans are further evidenced by two promissory notes (the “Building Loan Note” and the “Project Loan Note” and, together, the “Series 2016 Notes”), which will be used (i) to finance a portion of the costs relating to the design and construction of the Construction Project, which includes a new Terminal B (the “New Terminal B”) to be constructed by the Borrower at LaGuardia Airport in Queens, New York (the “Airport”), (ii) to partially fund a capitalized interest account during construction (but subject to withdrawal to pay Project Costs), (iii) to fund the working capital reserve account, and (iv) to pay certain costs of issuance related to the Series 2016 Bonds. The Port Authority will separately provide funding to support the construction of the New Improvements, the Central Hall, and a portion of the New Facilities. See “PART 1 – INTRODUCTION” and “PART 9 – PLAN OF FINANCE.”

### **Summary of the Series 2016 Bond Terms**

The Series 2016 Bonds are being issued as fully registered bonds in denominations of \$5,000 or in integral multiples thereof. The Series 2016 Bonds will bear interest at the rates as shown on the inside cover hereof and interest shall be payable semi-annually on January 1 and July 1 of each year, commencing on July 1, 2016. Principal payments on the Series 2016 Bonds shall be payable semi-annually on January 1 and July 1 of each year, commencing on July 1, 2024. The Series 2016 Bonds are subject to optional, extraordinary, and mandatory

redemption prior to maturity as described herein. The Series 2016 Bonds will be issued in book-entry-only form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The payment of the principal or interest on the Series 2016 Bonds will be made by the Trustee directly to Cede & Co., as described herein.

See “PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS.”

**The Series 2016 Bonds are Limited Obligations**

The Series 2016 Bonds are special limited revenue obligations of the Issuer payable solely from the payments made by the Borrower under the Loan Agreements and the Series 2016 Notes and from the Trust Estate as described in the Indenture. See “PART 3 – SECURITY FOR THE SERIES 2016 BONDS.”

**The Issuer**

The New York Transportation Development Corporation is a local development corporation formed under Section 1411 of the New York Not-for-Profit Corporation Law. The Issuer will issue the Series 2016 Bonds pursuant to the Indenture and loan the proceeds to the Borrower pursuant to the Loan Agreements. See “PART 6 – PROJECT PARTICIPANTS – The Issuer.”

**The Borrower**

LaGuardia Gateway Partners, LLC is a Delaware limited liability company that was formed in June 2015 for the principal purpose of entering into the Lease Agreement, to be entered into on the Issuance Date (as amended or supplemented from time to time, the “Lease Agreement”), between the Port Authority and the Borrower, under which the Borrower will be obligated among other things, to:

- assume operation of the existing Terminal B, including contiguous aircraft ramp areas (also referred to as the “Existing Terminal B Facilities”);
- undertake the Construction Project, including construction of (i) the New Terminal B (together with contiguous aircraft ramp and apron areas, new contiguous frontage roads and certain supporting buildings and site utilities, the “New Terminal B Facilities”), (ii) a new central arrivals/departure hall to be located between the New Terminal B Facilities and the future redeveloped Terminal C at the Airport, to include capacity for retail, food, and beverage concessions (the “Central Hall”), (iii) certain other New Facilities, and (iv) certain New Improvements, all as more further described herein;
- finance certain elements of the Construction Project as further described herein; and
- operate and maintain the New Terminal B Facilities (together with the Existing Terminal B Facilities, “Terminal B” or the “Terminal B Facilities”) and the Central Hall.

The membership interests in the Borrower are initially owned 1/3 by Vantage Airport Group (New York) LLC (the “Vantage Member”), 1/3 by Skanska ID LGP, LLC (the “Skanska Member”), and 1/3 by MI LaGuardia CTB, LLC (the “Meridiam Member,” and together with the “Vantage Member” and the “Skanska Member,” the “Equity Members” and each an “Equity Member”). Such membership interests may change from time to time as is more fully described herein. See “PART 6 – PROJECT PARTICIPANTS – The Borrower.”

### **The Port Authority**

The Port Authority of New York and New Jersey (the “Port Authority”), is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey. The Port Authority operates the Airport under a lease agreement with the City of New York entered into in 1947 and amended and supplemented from time to time thereafter (the “City Lease”). See “PART 6 – PROJECT PARTICIPANTS – The Port Authority.” The Port Authority is the lessor under the Lease Agreement.

Frasca & Associates, LLC is serving as Financial Advisor to the Port Authority for the Terminal B redevelopment program.

### **Security for the Series 2016 Bonds**

The Series 2016 Bonds are secured by (i) all right, title, and interest of the Issuer (except for the Issuer’s Reserved Rights) in and to the Loan Agreements and the Series 2016 Notes, (ii) moneys and obligations held by the Trustee under the Indenture (except moneys held in the Rebate Account), and (iii) certain collateral held by The Bank of New York Mellon, as collateral agent and securities intermediary (the “Collateral Agent”), pursuant to the Collateral Agency Agreement, dated as of May 1, 2016 (the “Collateral Agency Agreement”), among the Borrower, the Collateral Agent, the Trustee, the Securities Intermediary, and a bank to be identified as the deposit account bank therein (the “Deposit Account Bank”). The Collateral held by the Collateral Agent includes the Leasehold Mortgages encumbering the Borrower’s interest in the Lease Agreement. The Collateral also includes other security held under the documents and instruments more fully described herein, including the (i) Collateral Agency Agreement, (ii) Borrower Security Agreement, (iii) Assignment of Leases and Rents, and (iv) Direct Agreements.

The Borrower expects to derive revenues to pay its operating expenses and loan obligations with respect to the Series 2016 Bonds primarily from certain revenues (excluding Non-Pledged Receipts) it receives from the operation of the Terminal B Facilities, including payments made by airlines, providers of concession goods and services, and other commercial users of the Terminal B Facilities. See “PART 12 – AERONAUTICAL REVENUES,” and “PART 13 – NON-AERONAUTICAL REVENUES.” The Port Authority will also be responsible under the Lease Agreement for making payments to the Borrower for operation and maintenance of the Central Hall. Commercial revenues from the operation of the Central Hall will accrue to the Port Authority.

Other revenues including, but not limited to, flight fees (similar to what are more commonly called “landing fees” at other US airports) and public parking revenues generated at the Airport are not available to the Borrower and are not pledged to the payment of the Series 2016 Bonds.

Project Revenues will be deposited in a Pre-Substantial Completion Revenue Account until shortly following the Substantial Completion Date, after which Project Revenues will be deposited in a Post-Substantial Completion Revenue Account. Amounts will be transferred from such accounts monthly, in accordance with a series of priorities established in the Collateral Agency Agreement. Generally, operating and maintenance expenses, including Trustee and Collateral Agent expenses and Port Authority Base Rent, are funded first, followed by interest accruals on Senior Bonds, then (following Substantial Completion only) principal accruals on Senior Bonds, then (following Substantial Completion only) a relatively minor portion of rent (First Additional Rent) payable to the Port Authority, then the Debt Service Reserve Account, if there is a deficiency therein, then (following Substantial Completion only) an Operation and Maintenance Reserve Account, then (following Substantial Completion only) a Major Maintenance Reserve Account, then accounts for Subordinate Bonds (if any have been issued), and lastly (following Substantial Completion only) an Airline Discount Account, a Distribution Account, and an additional Port Authority rent payment account, as further described herein. See “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT.”

The scheduled payment of principal of and interest on the Series 2016A Bonds maturing on July 1, 2035, July 1, 2036, July 1, 2037, and January 1, 2051 (the “Insured Bonds”), when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. (“AGM”). See “PART 3 – SECURITY FOR THE SERIES 2016 BONDS – Bond Insurance.”

**Debt Service Reserve Account**

The Collateral Agency Agreement establishes a Senior Debt Service Reserve Account and separate Debt Service Reserve Sub-Accounts for each Series of the Series 2016 Bonds. Each Debt Service Reserve Sub-Account will be funded in an amount equal to the Debt Service Reserve Requirement and secures only the Series of Bonds for which it was established. The Debt Service Reserve Requirement is calculated separately for each Series of Bonds.

The Debt Service Reserve Sub-Accounts will not be funded at the Issuance Date, but rather, until the last day of the month following Substantial Completion (the “End of Funding Date”), the Debt Service Reserve Requirement will increase on dates certain that have been established to coincide with the scheduled completion dates for each New Facilities Construction Milestone and the Substantial Completion of the Construction Project. Such increases will occur on such established dates regardless of whether the applicable New Facilities



Construction Milestone or Substantial Completion actually occurs on the dates initially anticipated. The incremental increases in the Debt Service Reserve Requirement will be funded by transferring funds from the Construction Account or other sources, including Project Revenues and Equity, to the applicable Debt Service Reserve Sub-Accounts on those established dates.

On and after the End of Funding Date, the Debt Service Reserve Requirement is an amount equal to the aggregate amount of the interest and principal that will become due and payable during the next succeeding six (6) month period. Based on the amortization schedule of the Series 2016 Bonds, the Debt Service Reserve Requirement will increase over time.

See “PART 3 – SECURITY FOR THE SERIES 2016 BONDS,” and “PART 9 – PLAN OF FINANCE.”

#### **Rate Covenant**

Under the Loan Agreements, the Borrower has covenanted that, following Substantial Completion, it will take all lawful measures to establish, prescribe and collect Project Revenues sufficient to achieve, in each DSCR Calculation Period, a Senior Debt Service Coverage Ratio of 1.25x, both on a prospective basis (based on the Borrower’s annual budget) and on a retrospective basis (based on the Borrower’s annual audited financial statements); provided, however if the 1.25x requirement is not projected to be met for an upcoming Fiscal Year, the Borrower shall retain an Airport Consultant to recommend revisions to the Borrower’s annual budget and, after taking into account such recommendations, revise its annual budget to produce (to the extent practicable using prudent business judgment) sufficient Project Revenues to satisfy such 1.25x requirement.

#### **Additional Bonds**

The Issuer may, upon the request of the Borrower, issue Additional Senior Bonds or Subordinate Bonds under the Indenture for the benefit of the Borrower.

In order to issue Additional Senior Bonds, the Borrower must provide to the Trustee the following evidence indicating that, as of the date of issuance of such additional Senior Bonds (i) the Port Authority has provided prior written consent regarding the proposed issuance of additional Senior Bonds if required pursuant to the Lease Agreement, (ii) the Borrower is in compliance with the rate covenant set forth in the Loan Agreements, and (iii) a certificate from an Airport Consultant stating that, based upon reasonable assumptions, projected Project Revenues will be sufficient to satisfy the rate covenant set forth in the Loan Agreements (including the Senior Bonds proposed to be issued but excluding any Senior Bonds proposed to be refunded with the proceeds of the Additional Bonds) for each of the Fiscal Years following the issuance of the additional Senior Bonds to the final maturity of all outstanding Senior Bonds.

The Borrower shall not be required to meet the requirements in clauses (ii) and (iii) above in order to issue additional Senior Bonds if (i) the

proposed additional Senior Bonds are deemed Completion Bonds and the aggregate principal amount of such Completion Bonds does not exceed 10% of the initial aggregate principal amount of the Series 2016 Bonds, (ii) the proceeds of the proposed additional Senior Bonds will be used exclusively to pay for the costs and expenses directly resulting from the Borrower's compliance with a Safety Compliance Order or a Directive Letter in accordance with the Lease Agreement, or (iii) the proposed additional Senior Bonds are to be issued to refund Outstanding Senior Bonds and the proposed additional Senior Bond issuance produces net present value savings to the Borrower.

### **The Construction Project**

The existing Terminal B consists of a four-story central building, two three-story wings and four concourses. The existing Terminal B faces a wide variety of challenges to both airside and landside operations, as the facilities have become outdated and inefficient based on current passenger and industry standards, are past their useful life, and are undersized for current and projected passenger demand.

The New Terminal B will reflect an alternative concept design submitted by the Borrower as part of the RFP process. This design addresses the existing Terminal B's various inefficiencies and was developed to meet current and future passenger expectations.

An Airport Advisory Panel (the "Advisory Panel") was created in January 2015 to advise the Governor of New York and the Port Authority on the modernization of the Airport. Among the Advisory Panel's recommendations for a modernized and revitalized 21st Century Airport was the development of an overarching vision to unify the Airport's current disparate central area terminals through the creation of the Central Hall, which will provide a single, unified, architectural link among Terminal B, Terminal C and Terminal D, and may accommodate the future development of one or more of the following elements: an automated people mover and/or moving walkway between the Terminals, an AirTrain station, conference and meeting room capacity, and a potential hotel.

Under the Lease Agreement, the Borrower will be responsible for the design and construction of the Construction Project, which consists of, among other things, the design and construction of the New Facilities (including the New Terminal B), the New Improvements and the Central Hall, as described herein. The Construction Project will be completed in phases, as more particularly described in "PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations - Phasing of the Construction Project."

The Borrower's alternative design concept provides for discrete, functional components of the Construction Project to be completed sequentially, followed by the decommissioning and demolition of corresponding components of the Existing Terminal B Facilities. The New Terminal B Facilities will include a new terminal headhouse that connects via pedestrian bridges to new satellite Concourses A and B. Each concourse will be constructed in two phases. This phasing will

minimize disruption of current Airport operations and allow Substantial Completion to occur earlier than would otherwise be possible. During 2018, the West Garage and all of Concourse B are scheduled to be opened to the public. In early 2020, the headhouse for the New Terminal B is scheduled to be opened to the public, approximately 44 months after Lease Agreement commencement. The first component of Concourse A is scheduled to be opened to the public later in 2020, to be followed by the second component of Concourse A after its scheduled completion at the end of 2021 (at which time construction of the New Terminal B will be complete). Substantial Completion is scheduled to occur on or before July 8, 2022, and Final Acceptance of the entire Construction Project (including the Central Hall) is scheduled to occur on or before November 5, 2022. See “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of Construction Project.”

As many of the New Improvements are essential to the operation of the New Terminal B Facilities, construction of the New Improvements is expected to take place concurrently with the construction of the New Terminal B Facilities. Construction of the Central Hall is also expected to take place concurrently with the Construction Work with respect to the New Improvements and the New Facilities. The Central Hall is scheduled to be completed prior to Substantial Completion of the New Improvements and the New Facilities but the Lease Agreement does not require Substantial Completion of the Central Hall to occur until the Guaranteed Final Acceptance Date.

See “PART 7 – THE CONSTRUCTION PROJECT.”

## **The Lease Agreement**

The Port Authority, as lessor, and the Borrower, as lessee, will enter into the Lease Agreement pursuant to which the Port Authority will lease to the Borrower the Premises, including the existing Terminal B and certain related sites and facilities at the Airport. Under the Lease Agreement, the Borrower will be obligated, among other things, to:

- assume the operation and management of the Existing Terminal B Facilities from the Port Authority;
- design and construct the Construction Project, which consists of, among other things, the New Facilities (including the New Terminal B Facilities), the Central Hall and the New Improvements. See “PART 7 – THE CONSTRUCTION PROJECT”;
- finance the Construction Project, other than the New Improvements, the Central Hall and portions of the New Facilities for which the Port Authority will provide construction funding support. See “PART 9 – PLAN OF FINANCE”; and

- operate and maintain the New Terminal B Facilities and the Central Hall, subject, however, to any partial termination of the Lease Agreement with respect to the Central Hall.

Under the Lease Agreement, the Borrower will be entitled to derive revenues from its operation and management of the Existing Terminal B Facilities and the New Terminal B Facilities (as the context requires, “Terminal B” or the “Terminal B Facilities”), including by subleasing or otherwise making available such facilities for use by airline, concession, and other tenants. The Port Authority will provide ongoing funding to the Borrower as set forth in the Lease Agreement to support the Borrower’s construction obligations with respect to the New Improvements and portions of the New Facilities and the Borrower’s construction and ongoing operational obligations with respect to the Central Hall. The Borrower’s revenue streams from the operation of Terminal B and from the Port Authority with respect to the ongoing operation of the Central Hall will comprise the Borrower’s principal sources of revenues for repayment for the Series 2016 Bonds and for other obligations of the Borrower.

The term of the Lease Agreement will begin on the Issuance Date and expire on December 30, 2050, subject to earlier termination as described in the Lease Agreement; provided that the Port Authority may elect to terminate the Borrower’s lease, management and other responsibilities with respect to the Central Hall at certain earlier times as set forth in the Lease Agreement.

Upon the expiration or earlier termination of the Lease Agreement, the Borrower will, among other things, be required to hand back the demised premises to the Port Authority in the condition meeting certain requirements set forth in the Lease Agreement. See “PART 8 – THE LEASE AGREEMENT” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT.”

Upon the occurrence of certain limited termination events set forth in the Lease Agreement, the Lease Agreement may be terminated by either the Port Authority or the Borrower. The Port Authority will not be obligated to make a termination payment to the Borrower, except in certain limited circumstances, which payment will be subject to the approval of the Board of Commissioners of the Port Authority, the amount of which will vary depending on the circumstances. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement.”

## **Plan of Finance**

The Lease Agreement requires the Borrower, among other things: (i) to demolish the Existing Facilities, (ii) to construct the New Facilities (which will be leased by the Port Authority to the Borrower pursuant to the Lease Agreement), (iii) to construct the New Improvements (which will be handed over to the Port Authority for operation upon completion thereof and will not be part of the leased property), and (iv) to construct the Central Hall.

The portion of the Construction Project consisting of the demolition of the Existing Facilities and construction of the New Facilities are expected to be funded from a number of sources, including (i) up to approximately \$2,644,634,342 from proceeds (including premium) of the Series 2016 Bonds, (ii) \$200,000,000 in equity contributions from the Equity Members, (iii) up to \$1,000,000,000 from the Port Authority, (iv) approximately \$30,000,000 from reinvested operating revenues, and (v) approximately \$40,000,000 in interest earnings during construction. Funds received from these sources will also be used to fund certain reserves, including debt service reserves and working capital reserves. The operation of the Terminal B Facilities will generate operating revenues and require payment of operating expenses.

The costs of the portion of the Construction Project related to the New Improvements and Central Hall will be funded exclusively with funds provided by the Port Authority, in the approximate amount of \$1,200,000,000.

The New Facilities will be placed in service in six major stages. Completion of the final stage will constitute Substantial Completion of the Construction Project (other than the Central Hall), and each of the prior five stages is referred to as a “New Facilities Construction Milestone.” Approximately two months after each New Facilities Construction Milestone and Substantial Completion is anticipated to be reached, (i) interest on that portion of the Series 2016 Bonds allocable to the associated portions of the New Facilities will be treated as an operating cost payable from operating revenues rather than a capital construction cost, and (ii) an amount equal to the Debt Service Reserve Requirement with respect to the portion of the Series 2016 Bonds allocable to the associated portions of the New Facilities will be transferred from the Construction Account or other available funds to the Debt Service Reserve Account. The treatment of interest as an operating cost and the increase in the Debt Service Reserve Requirement will occur on dates certain established to coincide with the anticipated completion dates for each New Facilities Construction Milestone and Substantial Completion, regardless of whether the applicable New Facilities Construction Milestone or Substantial Completion actually occurs on the dates initially anticipated.

### **The Design-Build Contract**

Concurrent with execution and delivery of the Lease Agreement, the Borrower and the Design-Builder will enter into a Design-Build Contract (the “Design-Build Contract”), pursuant to which substantially all of the Design Work and Construction Work relating to the Construction Project will be undertaken by the Design-Builder, on a lump-sum, fixed price, date certain basis. The Design-Builder is a joint venture among Skanska USA Building Inc., Skanska USA Civil Northeast Inc. and Walsh Construction Company II, LLC.

The Borrower and the Design-Builder agree that the Design-Build Contract is, subject to the terms and conditions set forth therein (including, without limitation, such terms and conditions that explicitly

impose an obligation on the Borrower and the limitation of the Design-Builder's liability), "back-to-back" with the obligations and liabilities imposed on the Borrower in the Lease Agreement that are related to the Design Work and the Construction Work, and that such obligations and liabilities will be imposed on the Design-Builder under the Design-Build Contract only to the extent that such Design Work or Construction Work constitutes DB D&C Work (defined and described under "PART 10 – THE DESIGN-BUILD CONTRACT – DB D&C Work") and not in connection with other obligations of the Borrower in the Lease Agreement with respect to the Design Work or Construction Work.

The Design-Builder will provide to the Borrower a parent company guarantee from each of Skanska AB and The Walsh Group, Ltd. The Design-Builder also will deliver to the Borrower several irrevocable standby letters of credit, securing the payment and performance of the obligations of the Design-Builder under the Design-Build Contract. The standby letters of credit initially will be in an aggregate amount equal to 6.5% of the Contract Price, decreasing to 3.5% of the Contract Price upon partial completion of the first, second and third New Facilities Construction Milestones.

See "PART 10 – THE DESIGN-BUILD CONTRACT" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT."

### **Operation and Management of the Project**

The Borrower is responsible under the Lease Agreement for the operation, management, administration, and maintenance of the Terminal B Facilities and the Central Hall, including any repair, modification, reconstruction, rehabilitation, restoration, renewal and replacement of the Terminal B Facilities and the Central Hall, all as required under the Lease Agreement (the "Operations and Maintenance Work"). The Borrower will enter into a Management Services Agreement (the "Management Services Agreement") with Vantage Airport Group (New York) Management Ltd. (the "Manager"), to provide it with certain services and support in connection with its responsibilities with respect to the operation and maintenance work from the commencement date of the Lease Agreement until December 30, 2050, or earlier termination of the Lease Agreement in accordance with the terms thereof. The Manager is a wholly-owned subsidiary of Vantage Airport Group Ltd. ("Vantage"), a global airport investment, development and management company based in Vancouver, British Columbia, Canada.

Under the Management Services Agreement, the Manager will nominate the Borrower's Chief Executive Officer and provide certain other management personnel to the Borrower and, through such personnel, the Borrower's own staff and potential third-party resources, provide day-to-day management of the Borrower's business and operations. The Manager will also provide the Borrower with access to Vantage's airport network, including its know-how, guides and manuals with respect to best industry practices as may be

necessary for the Manager to perform the services. While the Manager will be obligated to provide broad management services for the Borrower in accordance with “best management practice,” the obligations under the Lease Agreement with respect to the Operations and Maintenance Work will remain the primary obligations of the Borrower and will not generally be deemed to have passed through to the Manager. Vantage is providing a guaranty of the Manager’s performance and payment obligations under the Management Services Agreement.

With certain limited exceptions set forth in the Lease Agreement, the management fees and expenses of the Manager will be paid from revenues of the Borrower prior to debt service on the Series 2016 Bonds. The Manager will report and be accountable to the Borrower’s Board of Directors. See “PART 11 – OPERATION AND MANAGEMENT OF THE PROJECT” and APPENDIX G – “SUMMARY OF CERTAIN PROVISIONS OF THE MANAGEMENT SERVICES AGREEMENT.”

### **Lock-Up Provisions**

The Collateral Agency Agreement imposes certain restrictions, including satisfaction of a minimum debt service coverage ratio requirement, on payments to be made following Substantial Completion from the Distribution Account, the Performance Fee Account and the Second Additional Rent Account (the “Lock-Up Accounts”). The Distribution Account collects funds for distribution to the Equity Members of the Borrower semi-annually. The Performance Fee Account collects funds monthly for payment of the annual performance fee portion of the fee payable to the Manager. The Second Additional Rent Account collects funds for payment to the Port Authority semi-annually as part of the rent due under the Lease Agreement that is measured in relation to Borrower revenues (referred to under the Lease Agreement as “Second Additional Rent”). Funds may only be released from these Lock-Up Accounts to pay the Equity Member distributions, Second Additional Rent, or the performance fee if certain Restricted Payment Conditions are satisfied. Restricted Payment Conditions are tested semi-annually, on each June 30 and December 31, and funds may be released only on the Transfer Date immediately following each testing date. See “PART 3 – SECURITY FOR THE SERIES 2016 BONDS – The Indenture.”

### **Risk Factors**

Investing in the Series 2016 Bonds is subject to numerous risks as described in “PART 16 – RISK FACTORS” herein.

### **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the Borrower will enter into a Borrower Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C. (“DAC”). The Borrower Continuing Disclosure Agreement will provide for the Borrower to submit annual, quarterly and, during the construction period only, monthly reports containing certain financial and operating information, as well as notices of certain material events, to DAC. DAC will in

turn be required to file such reports with the MSRB in accordance with the Rule.

The Port Authority will enter into a Continuing Disclosure Agreement pursuant to which it agrees to submit annual information relating to the Port Authority's financial condition and operations.

The Issuer will not be required to submit any information pursuant to the Rule.

See "PART 25 – CONTINUING DISCLOSURE," APPENDIX I-1 – "FORM OF BORROWER CONTINUING DISCLOSURE AGREEMENT," and APPENDIX I-2 – "FORM OF PORT AUTHORITY CONTINUING DISCLOSURE AGREEMENT."



**OFFICIAL STATEMENT RELATING TO**

**\$2,410,380,000**

**NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION**

**\$2,260,380,000**

**SPECIAL FACILITIES BONDS, SERIES 2016A  
(TAX-EXEMPT) (AMT) (LAGUARDIA AIRPORT  
TERMINAL B REDEVELOPMENT PROJECT)**

**\$150,000,000**

**SPECIAL FACILITIES BONDS, SERIES 2016B  
(TAXABLE) (LAGUARDIA AIRPORT TERMINAL B  
REDEVELOPMENT PROJECT)**

**PART 1 – INTRODUCTION**

This Official Statement (including the cover page, the inside cover page, the Summary Statement, and the Appendices) is being distributed in connection with the offering and sale of \$2,260,380,000 aggregate principal amount of Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT) (LaGuardia Airport Terminal B Redevelopment Project) (the “Series 2016A Bonds”) and \$150,000,000 aggregate principal amount of Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project) (the “Series 2016B Bonds” and, together with the Series 2016A Bonds, the “Series 2016 Bonds”) of the New York Transportation Development Corporation (the “Issuer”). Capitalized terms used herein unless otherwise defined have the meanings given to them in APPENDIX A – “DEFINITIONS.” The Issuer is a local development corporation formed under Section 1411 of the New York Not-for-Profit Corporation Law, being Chapter 35 of the Consolidated Laws of New York.

The existing Terminal B at the LaGuardia Airport in Queens, New York (the “Airport”) opened to the public in 1964. Originally designed with a capacity of 8,000,000 annual enplaned and deplaned air passengers, the existing Terminal B and its related facilities are viewed as inefficient based on current passenger and industry standards, past their useful life, and undersized for current and projected passenger demand. In recognition thereof, in 2011, The Port Authority of New York and New Jersey (the “Port Authority”), as operator of the Airport, embarked on a major modernization and redevelopment program at the Airport (the “Redevelopment Program”), resulting in, among other things, the issuance by the Port Authority on August 28, 2013 of an initial Request for Proposals (the “RFP”) with respect to the redevelopment and operation of Terminal B. LaGuardia Gateway Partners, LLC, a Delaware limited liability company (the “Borrower”) was selected as the “Preferred Proposer” under the RFP on May 28, 2015. See “PART 7 – THE CONSTRUCTION PROJECT.”

The Series 2016 Bonds are authorized to be issued under and pursuant to (i) resolutions of the Issuer adopted on April 26, 2016 and May 13, 2016 authorizing, among other things, the issuance and sale of the Series 2016 Bonds, and (ii) an Indenture of Trust, dated as of May 1, 2016 (the “Indenture”), by and between the Issuer and The Bank of New York Mellon, as trustee (the “Trustee”). The Trustee will also serve as Paying Agent and Bond Registrar for the Series 2016 Bonds.

The Borrower, the Trustee, The Bank of New York Mellon, as collateral agent (the “Collateral Agent”) and securities intermediary, and a bank to be identified as the deposit account bank therein (the “Deposit Account Bank”), will enter into a Collateral Agency Agreement, dated as of May 1, 2016 (the “Collateral Agency Agreement”), pursuant to which the Collateral Agent will hold collateral as security for the Series 2016 Bonds. The Collateral Agency Agreement provides that portions of the Trust Estate and security for the Series 2016 Bonds will be held by the Collateral Agent.

The proceeds from the sale of the Series 2016 Bonds are being loaned to the Borrower pursuant to a Building Loan Agreement (the “Building Loan Agreement”) and a Project Loan Agreement (the “Project Loan Agreement,” and together with the Building Loan Agreement, the “Loan Agreements”),

each dated as of May 1, 2016, by and between the Issuer and the Borrower. The Borrower will execute and deliver two promissory notes (the “Building Loan Note” and the “Project Loan Note” and, together, the “Series 2016 Notes”) in favor of the Issuer and the Issuer will, in turn, assign its right, title, and interest under the Loan Agreements and the Series 2016 Notes to the Collateral Agent as security for the Series 2016 Bonds. The Borrower will be obligated under the Loan Agreements and the Series 2016 Notes to make payments sufficient to pay the principal or Redemption Price of, and interest on, the Series 2016 Bonds, as and when the same become due.

The obligations of the Borrower to make payments pursuant to the Loan Agreements and the Series 2016 Notes will be unconditional obligations of the Borrower secured by the Building Loan Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of May 1, 2016, among the Borrower, the Issuer, and the Collateral Agent (the “Building Loan Leasehold Mortgage”) and the Project Loan Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of May 1, 2016, among the Borrower, the Issuer, and the Collateral Agent (the “Project Loan Leasehold Mortgage” and, together with the Building Loan Leasehold Mortgage, the “Leasehold Mortgages”), each of which will encumber the Borrower’s interest in the Lease Agreement.

The collateral also includes other security, including (i) amounts held under the Collateral Agency Agreement, with respect to the rights of the Borrower under the Lease Agreement; (ii) the Borrower Security Agreement, dated as of May 1, 2016 between the Borrower and the Collateral Agent (the “Borrower Security Agreement”); (iii) an Assignment of Leases and Rents, dated as of May 1, 2016 (the “Assignment of Leases and Rents”); and (iv) a Direct Agreement (a) among the Borrower, the Design-Builder, and the Collateral Agent, dated as of May 1, 2016 (the “D&C Contractor Direct Agreement”), setting forth certain rights of the Lenders (as defined herein) with respect to the Design-Build Contract and (b) among the Borrower, the Manager, and the Collateral Agent, dated as of May 1, 2016 (the “Manager Direct Agreement”), setting forth certain rights of the Lenders with respect to the Management Services Agreement, each a “Direct Agreement” and together, the “Direct Agreements. See “PART 3 – SECURITY FOR THE SERIES 2016 BONDS” and APPENDICES D-1 through D-4 – “CERTAIN PROVISIONS OF THE TRUST INDENTURE,” – “CERTAIN PROVISIONS OF THE COLLATERAL AGENCY AGREEMENT,” – “CERTAIN PROVISIONS OF THE LEASEHOLD MORTGAGES,” and – “CERTAIN PROVISIONS OF THE LOAN AGREEMENTS.”

The Borrower will pay its obligations under the Loan Agreements and the Series 2016 Notes primarily from certain revenues (excluding Non-Pledged Receipts) it receives from the operation of the Terminal B Facilities, including payments made by airlines, providers of concession goods and services, and other commercial users of the Terminal B Facilities. See “PART 12 – AERONAUTICAL REVENUES,” and “PART 13 – NON-AERONAUTICAL REVENUES.”

**THE SERIES 2016 BONDS ARE SPECIAL AND LIMITED REVENUE OBLIGATIONS OF THE ISSUER, PAYABLE BY THE ISSUER AS TO THE PRINCIPAL, REDEMPTION PRICE, AND INTEREST THEREON, SOLELY OUT OF THE TRUST ESTATE PLEDGED UNDER THE INDENTURE REFERRED TO HEREIN. NEITHER THE SERIES 2016 BONDS, THE PRINCIPAL THEREOF, THE INTEREST THEREON, NOR THE REDEMPTION PRICE THEREOF, NOR ANY INTEREST ACCRUED THEREON TO THE DATE OF REDEMPTION, SHALL EVER CONSTITUTE A DEBT OF THE STATE OF NEW YORK (THE “STATE”), THE PORT AUTHORITY, THE NEW YORK JOB DEVELOPMENT AUTHORITY (THE “JDA”), THE NEW YORK STATE URBAN DEVELOPMENT CORPORATION (D/B/A EMPIRE STATE DEVELOPMENT) (“ESD”), OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY, OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER), AND NONE OF THE STATE, THE PORT AUTHORITY, THE JDA, ESD, OR ANY OTHER LOCAL DEVELOPMENT CORPORATION, AGENCY, OR AUTHORITY OF THE STATE (OTHER THAN THE ISSUER)**

**SHALL BE LIABLE ON THE SERIES 2016 BONDS. THE ISSUER HAS NO POWER OF TAXATION. SEE “PART 18 – LIMITED LIABILITY FOR THE SERIES 2016 BONDS” HEREIN.**

The Issuer may, upon the request of the Borrower, issue Additional Senior Bonds or Subordinate Bonds, under the Indenture for the benefit of the Borrower, subject to compliance with the provisions of the Indenture described below under the heading “PART 3 – SECURITY FOR THE SERIES 2016 BONDS – The Indenture – Additional Bonds” and in APPENDIX D-1 – “CERTAIN PROVISIONS OF THE TRUST INDENTURE – Additional Bonds.”

The proceeds from the sale of the Series 2016 Bonds will be loaned to the Borrower and used (i) to finance a portion of the costs relating to the design and construction of the Construction Project, (ii) to partially fund a capitalized interest account during construction (but subject to withdrawal to pay Project Costs), (iii) to fund the working capital reserve account, and (iv) to pay certain costs of issuance related to the Series 2016 Bonds.

## **PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS**

### **Denominations, Registration and Exchange**

The Series 2016 Bonds will be issued as fully registered Bonds in denominations of \$5,000 or integral multiples thereof and will bear interest from their date to their respective maturities in the principal amounts and at the interest rates set forth on the inside cover page of this Official Statement, as described below. The Series 2016 Bonds, as initially issued, will be dated their date of delivery. The Series 2016 Bonds are subject to redemption prior to maturity as described in “Redemption of Series 2016 Bonds” below.

### **Delivery**

It is expected that the Series 2016 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 1, 2016. The Series 2016 Bonds will be issued in book-entry-only form and will be registered in the name of Cede & Co., as nominee of DTC. The payment of the principal or interest on the Series 2016 Bonds will be made by the Trustee directly to Cede & Co., as nominee for DTC, as the registered owner of the Series 2016 Bonds, to be subsequently disbursed to Beneficial Owners of the Series 2016 Bonds, all as described herein. Purchasers of the Series 2016 Bonds will not receive physical delivery of certificates representing their ownership interests in the Series 2016 Bonds.

### **Payment Dates**

Interest on the Series 2016 Bonds will be payable semi-annually on each January 1 and July 1 (each an “Interest Payment Date”), commencing on July 1, 2016. Principal on the Series 2016 Bonds will be payable semi-annually on each January 1 and July 1 (each a “Principal Payment Date”), commencing on July 1, 2024.

### **Payment of Principal**

The principal of the Series 2016 Bonds shall become due and payable on the Principal Payment Dates, as shown on the inside cover page of this Official Statement. The principal or Redemption Price of the Series 2016 Bonds shall be payable by check or wire transfer to the Holders of the applicable Series of Bonds at the Maturity Date or Redemption Date upon presentation and surrender of the Series 2016 Bonds of such Series at the designated corporate trust office of the Trustee. So long as a book-entry

system is used for determining beneficial ownership of the Series 2016 Bonds, payments of principal and other payments will be made to DTC as described in APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

### **Payment of Interest**

The Series 2016 Bonds shall bear interest at the rates set forth on the inside cover page of this Official Statement on the basis of a 360-day year consisting of twelve (12) thirty (30)-day months. Interest on the Series 2016 Bonds shall accrue from the Issuance Date, or from the most recent Interest Payment Date to which interest has been paid, which shall be payable on each Interest Payment Date until maturity or until the date fixed for redemption, if any, and until payment of the principal shall have been made or provided for in accordance with the provisions of the Indenture.

Except as described below, interest payable on the Series 2016 Bonds on any Interest Payment Date shall be paid by the Trustee to the Holders of such Series 2016 Bonds appearing on the registration books maintained by the Trustee as Bond Registrar at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date (the “Record Date”), and shall be paid (1) by check mailed to such Holders at their address as it appears on such registration books or at such other address furnished in writing by such Holders to the Trustee, or (2) at the written request addressed to the Trustee by any Holder of Bonds, or unless otherwise provided in any writing with or from the Securities Depository, by electronic wire transfer in immediately available funds to the account filed with the Trustee no later than the Record Date for any interest payment. So long as a book-entry system is used for determining beneficial ownership of the Series 2016 Bonds, payments of interest and other payments will be made to DTC as described below in APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

### **Redemption of the Series 2016 Bonds**

#### ***Series 2016A Bonds Optional Redemption***

The Series 2016A Bonds are subject to redemption at the option of the Issuer at the direction of the Borrower prior to maturity on and after July 1, 2024, in whole or in part at any time, at a redemption price equal to 100% of the principal of the Series 2016A Bonds to be redeemed, plus the interest accrued on such Series 2016A Bonds to (but not including) the Redemption Date.

#### ***Series 2016B Bonds Optional Redemption***

The Series 2016B Bonds are subject to redemption at the option of the Issuer at the direction of the Borrower at any time prior to maturity, in whole or in part, at the Make-Whole Redemption Price. The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Series 2016B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the Maturity Dates of the Series 2016B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2016B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate plus 30 basis points, plus, in each case, accrued and unpaid interest on the Series 2016B Bonds to be redeemed on the Redemption Date.

#### ***Series 2016A Bonds Purchase in Lieu of Redemption***

Without prejudice to the rights of the Borrower pursuant to the Indenture, the Series 2016A Bonds are subject to purchase prior to maturity, at the option of the Issuer at the direction of the Borrower on and after July 1, 2024, in whole or in part at any time, at the Purchase Price, plus the interest accrued

on such Series 2016A Bonds to (but not including) the Purchase Date as set forth in the notice of purchase to the registered owners of the Series 2016A Bonds to be so purchased.

If the Issuer, upon written request of the Borrower, elects to purchase any Series 2016A Bonds, the Trustee shall give notice of the purchase of such Series 2016A Bonds in the name of the Issuer to the registered owners of the Series 2016A Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the Purchase Date specified in such notice. The Series 2016A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. The Series 2016A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase will not operate to extinguish the indebtedness of the Issuer evidenced thereby or modify the terms of the Series 2016A Bonds and such Series 2016A Bonds need not be cancelled, but will remain Outstanding under the Indenture and continue to bear interest.

The Issuer's obligation to purchase any Series 2016A Bond is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2016A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2016A Bonds to be purchased, the former registered owners of such Series 2016A Bonds will have no claim thereunder or under the Indenture or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2016A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2016A Bonds in accordance with their respective terms.

#### ***Extraordinary Redemptions***

The Series 2016 Bonds are subject to extraordinary redemption prior to maturity, in whole, on any date at a redemption price equal to 100% of the principal of the Series 2016 Bonds to be redeemed, plus the interest accrued on such Series 2016 Bonds to, but not including, the Redemption Date, upon the occurrence of any of the following events, and using the funds described below:

(a) receipt of the proceeds of the Port Authority Termination Sum, the Unamortized Costs Termination Sum or other payment or proceeds received by the Borrower from the Port Authority in respect of a termination of the Lease Agreement (including, without limitation, amounts set forth under the Lease Agreement) and any available fund balances in the Project Accounts transferred by the Collateral Agent to the Trustee pursuant to the Collateral Agency Agreement; and

(b) following an Enforcement Action under the Collateral Agency Agreement and any other Security Documents, including the Leasehold Mortgages, using funds transferred by the Collateral Agent to the Trustee pursuant to the Collateral Agency Agreement.

In addition, within 90 days after the End of Funding Date, and in consultation with Bond Counsel and in accordance with Treasury Regulations Section 1.142-2, the Trustee shall apply any excess Series 2016A Bond proceeds made available to it by the Collateral Agent pursuant to the Collateral Agency Agreement to redeem or defease a pro rata portion (or such other portion in accordance with Treasury Regulations Section 1.142-2) of the Series 2016A Bonds at a redemption price equal to 100% of the principal of the Series 2016A Bonds to be redeemed, plus the interest accrued on such Series 2016A Bonds to, but not including, the Redemption Date. Furthermore, the Trustee shall, if so directed by the Borrower, promptly apply any funds made available to it by the Collateral Agent pursuant to the Collateral Agency Agreement to redeem: (i) the Series 2016A Bonds, in whole or in part, at a redemption price equal to 100% of the principal of the Series 2016A Bonds to be redeemed, plus the interest accrued on such Series 2016A Bonds to, but not including, the Redemption Date, or (ii) the Series 2016B Bonds, in whole or in part, at the Make-Whole Redemption Price.

***Mandatory Sinking Fund Redemption***

The Series 2016A Bonds and the Series 2016B Bonds shall be subject to mandatory redemption by the Issuer prior to maturity, in part, at a price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date of redemption, in satisfaction of the Sinking Fund Requirements on the dates and in the principal amounts set forth below, subject to the credits provided therefor in the Indenture:

Series 2016A Bonds maturing July 1, 2031

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2031	\$19,190,000
July 1, 2031 <sup>†</sup>	20,340,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2032

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2032	\$21,510,000
July 1, 2032 <sup>†</sup>	22,720,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2033

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2033	\$23,960,000
July 1, 2033 <sup>†</sup>	25,230,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2034

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2034	\$26,540,000
July 1, 2034 <sup>†</sup>	28,020,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2035

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2035	\$29,540,000
July 1, 2035 <sup>†</sup>	30,950,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2036

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2036	\$32,410,000
July 1, 2036 <sup>†</sup>	33,900,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2037

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2037	\$35,440,000
July 1, 2037 <sup>†</sup>	37,010,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2041 (bearing interest at 4.00%)

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2038	\$10,665,000
July 1, 2038	11,160,000
January 1, 2039	11,665,000
July 1, 2039	12,190,000
January 1, 2040	12,730,000
July 1, 2040	13,290,000
January 1, 2041	13,855,000
July 1, 2041 <sup>†</sup>	14,445,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2041 (bearing interest at 5.00%)

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2038	\$27,955,000
July 1, 2038	29,250,000
January 1, 2039	30,595,000
July 1, 2039	31,970,000
January 1, 2040	33,380,000
July 1, 2040	34,830,000
January 1, 2041	36,325,000
July 1, 2041 <sup>†</sup>	37,855,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2046 (bearing interest at 4.00%)

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2042	\$ 8,310,000
July 1, 2042	8,660,000
January 1, 2043	9,015,000
July 1, 2043	9,385,000
January 1, 2044	9,760,000
July 1, 2044	10,150,000
January 1, 2045	10,550,000
July 1, 2045	10,960,000
January 1, 2046	11,385,000
July 1, 2046 <sup>†</sup>	11,825,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing July 1, 2046 (bearing interest at 5.00%)

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2042	\$46,180,000
July 1, 2042	48,110,000
January 1, 2043	50,095,000
July 1, 2043	52,135,000
January 1, 2044	54,240,000
July 1, 2044	56,400,000
January 1, 2045	58,620,000
July 1, 2045	60,910,000
January 1, 2046	63,255,000
July 1, 2046 <sup>†</sup>	65,665,000

<sup>†</sup> Stated Maturity.



Series 2016A Bonds maturing January 1, 2050

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2047	\$ 80,430,000
July 1, 2047	83,600,000
January 1, 2048	86,870,000
July 1, 2048	90,240,000
January 1, 2049	93,700,000
July 1, 2049	97,270,000
January 1, 2050 <sup>†</sup>	100,940,000

<sup>†</sup> Stated Maturity.

Series 2016A Bonds maturing January 1, 2051

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
July 1, 2050	\$104,730,000
January 1, 2051 <sup>†</sup>	107,970,000

<sup>†</sup> Stated Maturity.

Series 2016B Bonds maturing July 1, 2027

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2027	\$11,250,000
July 1, 2027 <sup>†</sup>	12,140,000

<sup>†</sup> Stated Maturity.

Series 2016B Bonds maturing July 1, 2028

Sinking Fund Requirement <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2028	\$13,050,000
July 1, 2028 <sup>†</sup>	14,000,000

<sup>†</sup> Stated Maturity.

Series 2016B Bonds maturing July 1, 2029

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2029	\$14,960,000
July 1, 2029 <sup>†</sup>	15,960,000

<sup>†</sup> Stated Maturity.

Series 2016B Bonds maturing July 1, 2030

<u>Sinking Fund Requirement</u> <u>Payment Date</u>	<u>Sinking Fund Requirement</u>
January 1, 2030	\$16,980,000
July 1, 2030 <sup>†</sup>	7,950,000

<sup>†</sup> Stated Maturity.

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

**Selection of Bonds to be Redeemed or Purchased in Lieu of Redemption**

In the case of redemption or purchase in lieu of redemption of less than all of a Series of Bonds, the Trustee at the direction of the Borrower will select the maturities of such Series of Bonds to be redeemed or purchased. If less than all of the maturity and Series of Bonds are to be redeemed or purchased, the Bonds of such Series and maturity to be redeemed or purchased will be selected by the Trustee, by lot, using such method of selection as the Trustee shall determine; provided however so long as the Series 2016 Bonds are registered in the name of Cede & Co., as nominee of, DTC and the participants will determine the particular Series of Bonds to be redeemed in accordance with their procedures as from time to time in effect. No Series 2016A Bonds may be resold subsequent to a purchase in lieu of redemption unless the Issuer obtains a Favorable Opinion of Bond Counsel, and the Issuer may rely conclusively on such Opinion in complying with the requirements of the Indenture.

**Notice of Redemption**

When redemption of any Series 2016 Bonds or any portions thereof is requested or required pursuant to the Indenture, upon written notice from the Issuer to the Trustee delivered no less than 30

days prior to the Redemption Date, the Trustee shall give notice of such redemption in the name of the Issuer, specifying the CUSIP number, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2016 Bonds or portions thereof to be redeemed, the Redemption Date, the Redemption Price and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Series 2016 Bonds or portions thereof to be payable and, if less than all of the Series 2016 Bonds of any maturity are to be redeemed, the numbers of such Series 2016 Bonds or portions thereof to be so redeemed. Such notice shall further state that on the Redemption Date there shall become due and payable upon each Series 2016 Bond or portion thereof to be redeemed the Redemption Price thereof together with interest accrued to but not including the Redemption Date, and if sufficient moneys are held in trust for the payment of such Redemption Price, from and after the Redemption Date interest thereon shall cease to accrue and be payable. Such notice may set forth any additional information relating to such redemption. The Trustee, in the name and on behalf of the Issuer, (i) shall, if the Series 2016 Bonds are Book-Entry Bonds, send by Electronic Means and, in all other cases, mail a copy of such notice by first-class mail, postage prepaid, not more than 45 nor less than 20 days prior to the Redemption Date to the registered owners of any such Series 2016 Bonds that are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of any other Series 2016 Bonds and (ii) cause notice of such redemption to be submitted to the MSRB's EMMA system. Any 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. With respect to any optional redemption of the Series 2016 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the Redemption Date of moneys sufficient to pay the principal of, Redemption Price, if any, and interest on the Series 2016 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Series 2016 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the registered owners of the Series 2016 Bonds, in the manner in which the notice of redemption was given, that such moneys were not so received. In the event of a postal strike, the Trustee shall give notice by overnight courier (if available), and in the absence of the availability of overnight courier, by Electronic Means.

### **Payment of Redeemed Series 2016 Bonds**

Notice having been given in the manner provided in the Indenture, the Series 2016 Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to but not including the Redemption Date. If, on the Redemption Date, moneys for the redemption of all Series 2016 Bonds or portions thereof to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date, interest on the Series 2016 Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Series 2016 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.

Payment of the Redemption Price plus interest accrued to the Redemption Date shall be made to or upon the order of the registered owners only upon presentation of such Series 2016 Bonds for cancellation and exchange as provided under the Indenture; provided, however, that any Bondholder of at least \$1,000,000 in aggregate principal amount of Series 2016 Bonds to be redeemed may, by written request to the Trustee, received by the Trustee at least five (5) Business Days prior to the Redemption Date, direct that payments of Redemption Price and accrued interest to the Redemption Date 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.

### **PART 3 – SECURITY FOR THE SERIES 2016 BONDS**

#### **The Loan Agreements**

Contemporaneously with the execution of the Indenture and the issuance of the Series 2016 Bonds, the Issuer and the Borrower will enter into the Building Loan Agreement, pursuant to which the Issuer will loan a portion of the proceeds of the Series 2016 Bonds to the Borrower for purposes of financing a portion of the costs relating to the design and construction of the Construction Project and to pay or reimburse the Borrower for certain costs and expenses, all of which constitute “cost of improvement” under the New York Lien Law. Contemporaneously with the Issuer and the Borrower entering into the Building Loan Agreement, the parties shall enter into the Project Loan Agreement, pursuant to which the Issuer will loan a portion of the proceeds of the Series 2016 Bonds to the Borrower for purposes of financing a portion of the costs relating to the design and construction of the Construction Project that are not being financed under the Building Loan Agreement, to pay or reimburse the Borrower for certain costs and expenses not constituting “cost of improvement” under the Lien Law. Collectively, the amounts loaned to the Borrower by the Issuer pursuant to the Loan Agreements shall equal the original aggregate principal amount of the Series 2016 Bonds.

#### **Rate Covenant**

The Loan Agreements contain certain financial commitments of the Borrower, one of which is the rate covenant. Under the Loan Agreements, the Borrower has covenanted to take all lawful measures to establish, prescribe and collect Project Revenues sufficient to achieve, in each DSCR Calculation Period, a Senior Debt Service Coverage Ratio of 1.25x, both on a prospective basis (based on the Borrower’s annual budget) and on a retrospective basis (based on the Borrower’s annual audited financial statements); provided, however if the 1.25x requirement is not projected to be met for an upcoming Fiscal Year, the Borrower shall retain an Airport Consultant to recommend revisions to the Borrower’s annual budget and, after taking into account such recommendations, revise its annual budget to produce (to the extent practicable using prudent business judgment) sufficient Project Revenues to satisfy such 1.25x requirement. For a description of the other financial commitments made by the Borrower, see APPENDIX D-4 – “CERTAIN PROVISIONS OF THE LOAN AGREEMENTS.”

#### **Debt Service Reserve Account**

The Collateral Agency Agreement establishes a Senior Debt Service Reserve Account and separate Debt Service Reserve Sub-Accounts for each Series of the Series 2016 Bonds. Each Debt Service Reserve Sub-Account will be funded in an amount equal to the Debt Service Reserve Requirement and secures only the Series of Bonds for which it was established. The Debt Service Reserve Requirement is calculated separately for each Series of Bonds.

The Debt Service Reserve Sub-Accounts will not be funded at the Issuance Date, but rather, until the last day of the month following Substantial Completion (the “End of Funding Date”), the Debt Service Reserve Requirement will increase on dates certain that have been established to coincide with the scheduled completion dates for each New Facilities Construction Milestone and the Substantial Completion of the Construction Project. Such increases will occur on such established dates regardless of whether the applicable New Facilities Construction Milestone or Substantial Completion actually occurs on the dates initially anticipated. The incremental increases in the Debt Service Reserve Requirement will be funded by transferring funds from the Construction Account or other sources, including Project Revenues and Equity, to the applicable Debt Service Reserve Sub-Accounts on those established dates.

On and after the End of Funding Date, the Debt Service Reserve Requirement is an amount equal to the aggregate amount of the interest and principal that will become due and payable during the next succeeding six (6) month period. Based on the amortization schedule of the Series 2016 Bonds, the Debt Service Reserve Requirement will increase over time.

## **The Indenture**

### ***General***

The Issuer and the Trustee will enter into the Indenture pursuant to which the Series 2016 Bonds will be issued.

*Trust Estate.* The Issuer, in order to secure the payment of the Series 2016 Bonds, has pledged and assigned to the Trustee pursuant to the terms of the Indenture for the benefit of the Owners, all of the following, which comprise the Trust Estate:

- (a) all moneys and obligations from time to time held by the Trustee under the Indenture, except for moneys or obligations held in any Rebate Account or held for the redemption or payment of Bonds that are deemed to have been paid pursuant to the Indenture;
- (b) the Security Interests granted to the Collateral Agent securing the payment obligations of the Borrower under the Loan Agreements and the Series 2016 Notes or under the Security Documents or otherwise;
- (c) subject to the Collateral Agency Agreement, the Issuer's rights with respect to and security interest in all funds in the Project Accounts and any and all other accounts established as security for the Bonds under the Collateral Agency Agreement; and
- (d) any and all other property, revenues, rights or funds specifically granted, assigned or pledged as additional security for the Bonds.

The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of the Bonds, except for any preference between the Senior Bonds and the Subordinate Bonds as established pursuant to the Indenture. For a complete description of the Trust Estate, see APPENDIX D-1 – “CERTAIN PROVISIONS OF THE TRUST INDENTURE.”

So long as Assured Guaranty Municipal Corp. (“AGM”) is not in default under the Policy (defined below), AGM shall, under the terms of the Indenture, at all times be deemed to be the exclusive owner of the Insured Bonds for the purpose of all approvals, consents, waivers or institution of any action and the direction of all remedies. If AGM pays the principal, mandatory sinking fund installments or interest on any Insured Bonds pursuant to the terms of the Policy, AGM will be subrogated to all of the rights of the owners of such Insured Bonds, including the right to receive payment of principal or mandatory sinking fund installments on, and interest on, the Insured Bonds. AGM shall have no rights under the Indenture, other than the rights of subrogation to the extent it has made payments under the Policy, in the event AGM is in default on its payment obligations under such Policy.

### ***Additional Bonds***

The Issuer will covenant under the Indenture that, so long as any Bonds are Outstanding, the Issuer will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a lien on all or any part of the Trust Estate established and created by or pursuant to the Indenture, except to the extent permitted by the Indenture and by the Loan Agreements.

*Additional Senior Bonds.* At the request of the Borrower, additional Senior Bonds may be delivered under and be equally and ratably secured by the Indenture on a parity with the Series 2016 Bonds and any other additional Senior Bonds Outstanding, at any time and from time to time while no Event of Default has occurred and is continuing under the Indenture, the Lease Agreement, and the Loan Agreements and no Enforcement Action is ongoing under the Collateral Agency Agreement.

The Issuer is not permitted to issue additional Senior Bonds unless it provides the Port Authority with prior written notice and the following additional requirements are satisfied:

(a) The Borrower has provided to the Trustee the following evidence indicating that, as of the date of issuance of such additional Senior Bonds (i) the Port Authority has provided prior written consent regarding the proposed issuance of additional Senior Bonds if required pursuant to the Lease Agreement, (ii) the Borrower is in compliance with the rate covenant under the Loan Agreements, and (iii) a certificate from an Airport Consultant stating that, based upon reasonable assumptions, projected Project Revenues will be sufficient to satisfy the rate covenant set forth in the Loan Agreements (including the Senior Bonds proposed to be issued but excluding any Senior Bonds proposed to be refunded with the proceeds of the Additional Bonds) for each of the Fiscal Years following the issuance of the additional Senior Bonds to the final maturity of all outstanding Senior Bonds.

(b) The Borrower shall not be required to meet the requirements in clauses (ii) or (iii) above in order to issue additional Senior Bonds if (i) the proposed additional Senior Bonds are deemed Completion Bonds and the aggregate principal amount of such Completion Bonds does not exceed 10% of the initial aggregate principal amount of the Series 2016 Bonds, (ii) the proceeds of the proposed additional Senior Bonds will be used exclusively to pay for the costs and expenses directly resulting from the Borrower's compliance with a Safety Compliance Order or a Directive Letter in accordance with the Lease Agreement, or (iii) the proposed additional Senior Bonds are to be issued to refund Outstanding Senior Bonds and the proposed additional Senior Bond issuance produces net present value savings to the Borrower.

*Subordinate Bonds.* Subordinate Bonds may be issued subject to the provisions of the Indenture.

#### ***Events of Default under the Indenture***

Each of the following is defined as and shall be deemed an "Event of Default" under the Indenture with respect to all of the outstanding Bonds:

(a) Default in the payment of the principal of or redemption premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, or through failure to satisfy any Sinking Fund Requirement, or upon redemption or otherwise;

(b) Default in the payment of any interest on any Bond when the same shall become due and payable;

(c) Default shall be made in the observance or performance of any covenant, agreement or other provision in the Bonds or the Indenture contained (other than as referred to in sub-paragraphs (a) or (b) above) and such default shall continue for a period of 30 days after written notice to the Issuer, the Borrower and the Trustee from the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding or from the Trustee specifying such default and requiring the same to be remedied, provided, with respect to any such failure covered by this sub-paragraph (c), no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such 30 day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby; and

(d) The occurrence of an “Event of Default” under and as defined in the Loan Agreements that continues beyond any grace or cure period provided for in the applicable Loan Agreement.

The Trustee shall, within 30 days of the occurrence of an Event of Default or of any event of which the Trustee is required to take notice and which would result in an Event of Default with the passage of time or the giving of notice, notify the Issuer, the Borrower, the Collateral Agent, and all Bondholders of the occurrence of such Event of Default or such other event.

Upon the occurrence of an Event of Default, the Trustee is entitled to exercise certain remedies as set forth in the Indenture.

For more information relating to the terms of the Indenture, see APPENDIX D-1 – “CERTAIN PROVISIONS OF THE TRUST INDENTURE.”

### **The Collateral Agency Agreement**

Pursuant to the terms of the Collateral Agency Agreement, (i) The Bank of New York Mellon will be appointed as Collateral Agent with respect to the security interests in and to the Collateral and the rights and remedies set forth under the Security Documents, and (ii) certain Project Accounts will be established in the name of the Borrower and certain Non-Pledged Accounts will be established in the name of the Borrower or the Port Authority, as applicable. The Borrower will pledge and grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest in and lien on the Project Accounts and the funds and investments on deposit therein, subject to the provisions of the Collateral Agency Agreement. The Collateral Agent shall not have a security interest in or lien on the Non-Pledged Accounts, nor the funds and investments on deposit therein.

The proceeds of the Series 2016 Bonds, as well as Project Revenues and certain other amounts received by the Borrower (including Equity Contributions), will be deposited into certain Project Accounts, and the Borrower may direct the Collateral Agent to credit funds to or deposit funds in, and to withdraw and transfer funds from, each Project Account, including the withdrawal of proceeds of the Series 2016 Bonds to pay for or reimburse Project Costs, subject to satisfaction by the Borrower of certain requirements for withdrawals and transfers set forth in the Collateral Agency Agreement. See APPENDIX D-2 – “CERTAIN PROVISIONS OF THE COLLATERAL AGENCY AGREEMENT – Article V: Project Accounts and Non-Pledged Accounts.” for a further description of the Project Accounts. The flow of funds set forth in the Collateral Agency Agreement is summarized in “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT.”

### ***Restricted Distributions***

The Collateral Agency Agreement imposes certain restrictions on payments to be made following Substantial Completion from the Distribution Account, the Performance Fee Account and the Second Additional Rent Account (collectively, the “Lock-Up Accounts”), which restrictions include the satisfaction of a minimum debt service coverage ratio requirement. The Distribution Account collects funds for distribution to the Equity Members of the Borrower semi-annually. The Performance Fee Account collects funds monthly for payment of the annual performance fee portion of the fee payable to the Manager. The Second Additional Rent Account collects funds for payment to the Port Authority semi-annually as part of the rent due under the Lease Agreement that is measured in relation to Borrower revenues (referred to under the Lease Agreement as “Second Additional Rent”). Funds on deposit in the Lock-Up Accounts remain pledged as security for the Series 2016 Bonds and will be available to fund deficiencies in all other accounts until such funds are released from the Lock-Up Accounts.

In the flow of funds, moneys are only deposited in the Distribution Account and the Second Additional Rent Account twice yearly, on the Transfer Date immediately following each Calculation Date. Calculation Dates are June 30 and December 31 of each year following the End of Funding Date. Moneys are deposited in the Performance Fee Account monthly, both before and after Substantial Completion, on each Transfer Date, with true-up adjustments being made semi-annually.

Funds on deposit in the Distribution Account and the Second Additional Rent Account may be distributed to the Equity Members and the Port Authority, respectively, semi-annually, upon satisfaction of the Restricted Payment Conditions, on the Transfer Date immediately following the Calculation Date on which such conditions are satisfied. Funds on deposit in the Performance Fee Account may be distributed to the Manager upon completion of each New Facilities Construction Milestone and upon Substantial Completion, in each case without satisfying the Restricted Payment Conditions, and thereafter annually upon satisfaction of the Restricted Payment Conditions, on the Transfer Date immediately following the Calculation Date on which such conditions are satisfied. If on any Calculation Date, payment of the performance fee is projected to result in the Restricted Payment Conditions not being satisfied during the succeeding twelve-month period, the performance fee shall not be paid, but rather shall be accrued and be paid on a later date when such payment would not result in the failure to satisfy the Restricted Payment Conditions.

The Restricted Payment Conditions are as follows:

- (a) the Operating Account, the Bond Payment Accounts, the Debt Service Reserve Account, the O&M Reserve Account, the Major Maintenance Reserve Account, and the Handback Reserve Account must be fully funded to their respective required levels as of the applicable Calculation Date;
- (b) for the immediately preceding DSCR Calculation Period, the Senior Debt Service Coverage Ratio for such period was not less than 1.20x;
- (c) for the immediately succeeding DSCR Calculation Period, the Senior Debt Service Coverage Ratio projected for such period is to be not less than 1.20x;
- (d) no Event of Default under the Financing Documents has occurred and is continuing or would exist immediately after giving effect to the requested transfer of funds; and the Port Authority has not exercised its right to terminate the Lease Agreement in respect of an Event of Default under the Lease Agreement; and
- (e) Substantial Completion has been achieved.

For further information regarding the funding of and distribution from the Lock-Up Accounts see “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT – Flow of Funds Post-Substantial Completion,” and Appendix D-2 – “CERTAIN PROVISIONS OF THE COLLATERAL AGENCY AGREEMENT.”

### **The Leasehold Mortgages**

As security for the Series 2016 Bonds, the Borrower will execute the Building Loan Leasehold Mortgage and the Project Loan Leasehold Mortgage, in favor of the Issuer and the Collateral Agent. The Leasehold Mortgages will each grant to the Issuer and the Collateral Agent, for the benefit of the Bondholders, a mortgage lien on and security interest in all of the Borrower’s interests under the Lease Agreement and related property. Immediately following the issuance of the Series 2016 Bonds the Issuer will assign its interests in the Leasehold Mortgages to the Collateral Agent except for any reserved rights.



The Leasehold Mortgages and all rights of the Collateral Agent as Mortgagee are subject to the terms and conditions of the Lease Agreement. The Port Authority will recognize the Collateral Agent as a “Recognized Mortgagee” under the Lease Agreement, which will entitle the Collateral Agent to certain notice and cure rights and certain other protections with respect to the Lease Agreement.

The Leasehold Mortgages contain certain representations and covenants on the part of the Borrower relating to the Lease Agreement and the work to be performed by the Borrower thereunder, and grant certain remedies to the Collateral Agent upon the occurrence and continuance of an Event of Default under the Leasehold Mortgages, including, for only certain specific Events of Default, the right to foreclose upon the Borrower’s interest in the Lease Agreement. Such remedies must in all instances, be exercised in accordance with the terms of the Lease Agreement.

The Leasehold Mortgages shall be deemed satisfied, discharged and of no further force and effect upon the retirement, redemption, refunding, satisfaction or other payment or discharge of the Series 2016 Bonds and certain other obligations of the Borrower under the Loan Agreements. See APPENDIX D-3 – “CERTAIN PROVISIONS OF THE LEASEHOLD MORTGAGES” for a further description of the Leasehold Mortgages and the conveyed leasehold estate and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Lenders’ Rights and Remedies” for a further description of the Lease Agreement as it pertains to the Collateral Agent as mortgagee under the Leasehold Mortgages.

### **The Borrower Security Agreement**

The Borrower and the Collateral Agent will enter into a security agreement for the benefit of the Secured Parties, pursuant to which the Borrower will grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest in and lien on all of the Borrower’s right, title and interest in, to and under all of its personal property, tangible and intangible, wherever located and whether owned, leased or licensed as of the date of the Security Agreement or thereafter acquired, leased or licensed, and whether existing as of the date of the Security Agreement or thereafter arising, including the Borrower’s interest in Project Revenues, Project Accounts, general intangibles, instruments, inventory, material project contracts, equipment and proceeds of insurance policies, subject to certain exclusions.

#### ***Security Interest***

In order to secure the full and prompt payment in full when due of the Secured Obligations (whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise), the Borrower will grant to the Collateral Agent, for the benefit of the Secured Parties, a Security Interest in and lien on all of its right, title and interest in, to and under all of its personal property, tangible and intangible, wherever located and whether now owned, leased or licensed or hereafter acquired, leased or licensed and whether now existing or hereafter arising, including the Borrower’s interest in Project Revenues, Project Accounts, general intangibles, instruments, inventory, material project contracts, equipment and proceeds of insurance policies as further provided in the Borrower Security Agreement.

Notwithstanding anything to the contrary in the Borrower Security Agreement, the Borrower will remain liable for all obligations under and in respect of the Collateral and nothing contained in the Borrower Security Agreement is intended to or will be a delegation of duties to the Collateral Agent or the Secured Parties.

### ***Remedies***

If an Event of Default shall have occurred and be continuing, and subject to the Collateral Agency Agreement, the Collateral Agent may exercise remedies authorized by law as further provided in the Borrower Security Agreement including:

- (a) assembling Collateral;
- (b) appointing a receiver;
- (c) collecting accounts payable;
- (d) taking funds in from deposit accounts or securities accounts; and
- (e) disposing of the Collateral.

### **The Assignment of Leases and Rents**

The Borrower will execute an Assignment of Leases and Rents in favor of the Collateral Agent.

### **Direct Agreements**

As additional security for the Series 2016 Bonds, the Collateral Agent and the Borrower will enter into the Direct Agreements.

Pursuant to the D&C Contractor Direct Agreement with the Design-Builder, the Design-Builder will consent to the assignment of the Design-Build Contract by the Borrower to the Collateral Agent as security for the Series 2016 Bonds and, subject to certain conditions, will grant the Collateral Agent certain cure and step-in rights regarding the Design-Build Contract following a default thereunder by the Borrower.

Pursuant to the Manager's Direct Agreement with the Manager, the Manager will consent to the assignment of the Management Services Agreement by the Borrower to the Collateral Agent as security for the Series 2016 Bonds and, subject to certain conditions, will grant the Collateral Agent certain cure and step-in rights regarding the Management Services Agreement following a default thereunder by the Borrower.

### **Port Authority Payments Upon Certain Early Terminations of the Lease Agreement, the City Lease or Upon Acceleration of Series 2016 Bonds**

No termination payment will be payable by the Port Authority to the Borrower if the Lease Agreement is terminated by the Port Authority due to a Borrower Event of Default.

The Lease Agreement provides for a termination right of the Borrower upon the occurrence of certain events. If the Borrower exercises this termination right, the Port Authority will be required to pay either a Port Authority Termination Sum or an Unamortized Costs Termination Sum depending on the nature of the event giving rise to the Borrower's termination right. Under either formulation, the amount payable is designed to be sufficient to pay amounts due with respect to all Series 2016 Bonds.

The types of events permitting the Borrower to terminate the Lease Agreement and be entitled to the termination sums referred to above are:

- Events arising generally from a failure of the Port Authority to comply with the terms of the Lease Agreement; or

- Events generally characterized as no fault that limit the Borrower’s ability to perform the Construction Work for a specified period or limit the Airlines’ ability to use the Airport for a specified period.

An early termination of the City Lease due to a Port Authority default or due to an amendment agreed to by the Port Authority may also trigger an entitlement by the Borrower to a termination payment as described above.

For a more detailed summary of the Port Authority Termination Sum, the Unamortized Costs Termination Sum and the types of events that will entitle the Borrower to payment of such sums, see “PART 8 – THE LEASE AGREEMENT” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT.”

The Port Authority is permitted under the Lease Agreement, at its discretion following a Borrower Event of Default under the Leasehold Mortgages, to tender to the Collateral Agent an amount equal to the amount due on the accelerated Bonds to the date of the tender, and upon such tender the Leasehold Mortgages shall terminate.

The Port Authority Termination Sum or Unamortized Costs Termination Sum will be due and payable by the Port Authority 60 days after such amount is finally agreed or determined; provided, that the Port Authority may defer any such payment for up to 120 additional days if such time is needed to obtain the written approval of the Board of Commissioners or to obtain financing to make such payment. The payment of the agreed-upon amount of the foregoing termination payments is subject to the prior written approval of the Board of Commissioners in accordance with the by-laws of the Port Authority. Approval of the Board of Commissioners, which would otherwise be required, will not be required for a final judgment for payment of the Port Authority Termination Sum or Unamortized Costs Termination Sum by a court of competent jurisdiction, with no right of appeal. If approval of the Board of Commissioners is required by its by-laws for payment of such a termination amount, the Port Authority is required to seek to obtain such approval in an expeditious and diligent manner.

## **Bond Insurance**

Concurrently with the issuance of the Series 2016 Bonds, AGM will issue its municipal bond insurance policy (the “Policy”) for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the specimen of the Policy included as APPENDIX K to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

### ***Assured Guaranty Municipal Corp.***

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure, and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”), and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations

to buy, sell, or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings, or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings.* On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 8, 2015, Moody's published a credit opinion maintaining its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

*Capitalization of AGM.* At March 31, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,742 million and its net unearned premium reserve was approximately \$1,530 million. Such amounts represent the combined surplus, contingency reserve, and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve, and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference.* Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at

<http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "PART 3 – SECURITY FOR THE SERIES 2016 BONDS – Bond Insurance – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters.* AGM makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "PART 3 – SECURITY FOR THE SERIES 2016 BONDS – Bond Insurance."

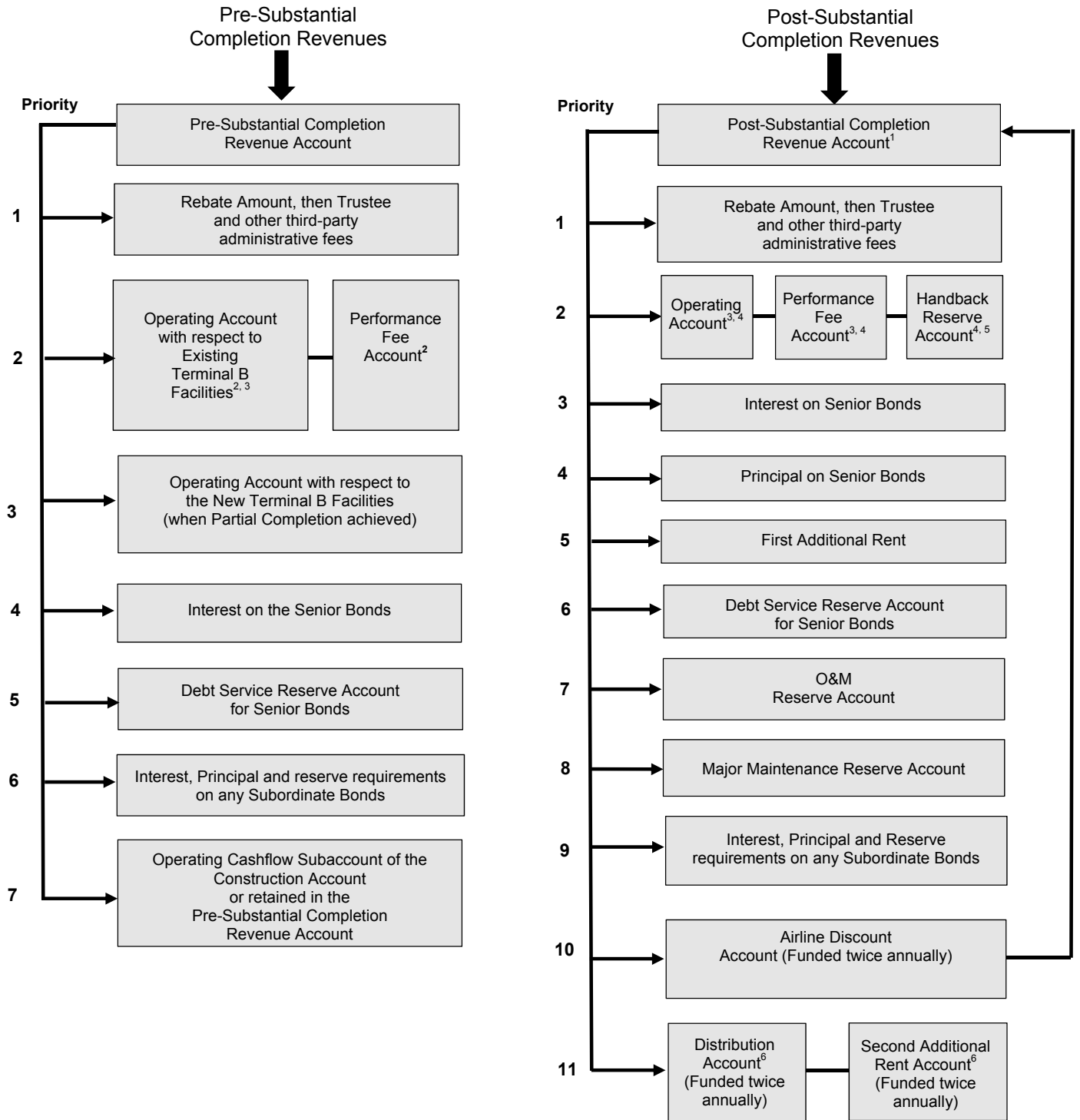
#### **PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT**

##### **Flow of Project Revenues**

The Collateral Agency Agreement establishes certain Project Accounts in the name of the Borrower. See "PART 3 – SECURITY FOR THE SERIES 2016 BONDS – The Collateral Agency Agreement." The following table illustrates how Project Revenues will be deposited in the various Project Accounts and Non-Pledged Accounts held by the Collateral Agent pursuant to the Collateral Agency Agreement, both Pre-Substantial Completion and Post-Substantial Completion.

(Remainder of Page Intentionally Left Blank)

## FLOW OF FUNDS



[Footnotes Appear on Following Page]

<sup>1</sup> If amounts on deposit in the Post-Substantial Completion Revenue Account are not sufficient on any Transfer Date to make required transfers, then the Collateral Agent shall transfer funds, in reverse order of priority to fund such shortfalls in these accounts starting at the bottom of the Flow of Funds. The Working Capital Reserve Account (if open) will also be used to fund such shortfalls, but the Non-Pledged Accounts (including the Handback Reserve Account) will not. Following the End of Funding Date, certain funds on deposit in the Project Accounts will be applied in accordance with the Lease, prior to application under the Post-Substantial Completion waterfall. See “PART 9 – PLAN OF FINANCE – Sources and Uses of Funds for the Demolition Facilities and Construction of the New Facilities.”

<sup>2</sup> The Operating Account and Performance Fee Account are funded pro rata.

<sup>3</sup> The Operating Account is funded to cover O&M Expenses and Major Maintenance.

<sup>4</sup> The Operating Account, Performance Fee Account, and Handback Reserve Account are funded pro rata.

<sup>5</sup> The Handback Reserve Account is funded commencing five years prior to the end of the term of the Lease Agreement, and is funded pro rata with the Operating Account and the Performance Fee Account.

<sup>6</sup> Released only when Restricted Payment Conditions are satisfied, provided that Restricted Payment Conditions do not apply if funds deposited in the Distribution Account result from a Letter of Credit replacing funds in the Debt Service Reserve Account or the Major Maintenance Reserve Account.

### **Flow of Funds Pre-Substantial Completion**

Until the last day of the month following the month in which Substantial Completion occurs (the “End of Funding Date”), the Borrower will promptly deposit into the Pre-Substantial Completion Revenue Account (i) all Project Revenues and all other amounts received by the Borrower from any source whatsoever, except for (x) the Non-Pledged Receipts and (y) amounts deposited in other Project Accounts pursuant to the Collateral Agency Agreement, and (ii) and amounts transferred from other Project Accounts as required by the terms of the Collateral Agency Agreement. Pending such deposit, the Borrower will hold all such amounts received by it in trust for the benefit of the Secured Parties.

The Collateral Agent will, on each Transfer Date occurring on or prior to the End of Funding Date, make the following withdrawals, transfers and payments from the Pre-Substantial Completion Revenue Account (to the extent the amounts required to pay such amounts have not previously been transferred from other Project Accounts in accordance with the Collateral Agency Agreement) in the amounts, at the times and only for the purposes specified below at the request of the Borrower, and in the following order of priority, after giving effect to any other transfers into the Project Accounts specified below as instructed by the Borrower to be made on or prior to such Transfer Date:

*First*, in the following order of priority (i) if any Rebate Amount is due under the Indenture, to fund the Rebate Account in an amount equal to such Rebate Amount, and thereafter (ii) pro rata to pay all fees, administrative costs and expenses then due and payable under the Financing Documents to the Collateral Agent, the Deposit Account Bank, the Securities Intermediary, the Trustee or the Issuer, and to pay any costs of any applicable Nationally Recognized Rating Agencies (to the extent such amounts have not previously been disbursed from the Operating Account or the Construction Account for such purposes);

*Second*, pro rata (i) to the Operating Account, an amount equal, when taken together with amounts then on deposit therein, to the O&M Expenses (other than the performance fee) and Major Maintenance expenses then due and payable, or reasonably projected to be due and payable, prior to the next succeeding Transfer Date with respect to the Existing Terminal B Facilities, and (ii) to the Performance Fee Account the amount necessary, if any, to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Performance Fee Account Requirement;

*Third*, to the Operating Account, an amount equal, when taken together with amounts then on deposit therein (excluding amounts on deposit therein to be applied with respect to the expenses described in the immediately preceding clause Second), to the O&M Expenses then due and payable, or reasonably projected to be due and payable, prior to the next succeeding Transfer Date with respect to the New Terminal B Facilities for which Partial Completion has been achieved prior to the applicable Transfer Date;

*Fourth*, to each Interest Payment Sub-Account maintained with respect to any Series of Senior Bonds, the amount equal to the monthly accruals due with respect to interest on the portion of Series 2016 Bonds allocable to New Facilities for which one or more New Facilities Construction Milestones are scheduled to have been completed; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause Fourth, transfers shall be made to the various Interest Payment Sub-Accounts maintained with respect to any Series of Senior Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; and provided further that if and to the extent amounts in the Pre-Substantial Completion Revenue Account are insufficient to make all payments of interest on each Series of Bonds on any Interest Payment Date, the Collateral Agent shall, without need of direction from the Borrower, transfer from, first, the Operating Cashflow Sub-Account of the Construction Account, and then, if needed, the Bond Proceeds Subaccount established with respect to such Series of Bonds, the balance of the amount needed to pay interest on such Series of Bonds on such Interest Payment Date (see “PART 9 – PLAN OF FINANCE – Construction Period Interest and Debt Service Reserve Requirement” for a table setting forth preliminary construction period interest requirements and for further information about such requirements);

*Fifth*, to each Debt Service Reserve Sub-Account maintained with respect to any Series of Senior Bonds the amount necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein, including amounts transferred at the direction of the Borrower from the various subaccounts of the Construction Account) equals the relevant Debt Service Reserve Requirement with respect to such Series of Senior Bonds; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause Fifth, transfers shall be made to the various Debt Service Reserve Sub-Accounts maintained with respect to any Series of Senior Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account (see “PART 9 – PLAN OF FINANCE – Construction Period Interest and Debt Service Reserve Requirement” for a table setting forth preliminary construction period interest requirements and for further information about such requirements);

*Sixth*, to any applicable accounts established with respect to any Series of Subordinate Bonds, amounts due with respect to interest, principal, and debt service reserve amounts with respect to such Subordinate Bonds; and

*Seventh*, all remaining amounts (if any) to be transferred to the Operating Cashflow Sub-Account within the Construction Account, unless the Borrower directs that any portion of such amounts be retained in the Pre-Substantial Completion Revenue Account.

Notwithstanding the foregoing, the Collateral Agent shall automatically make the transfers described in clauses *First*, *Fourth*, *Fifth*, and *Sixth* even if not instructed to do so by the Borrower.

### **Flow of Funds Post-Substantial Completion**

On the End of Funding Date, funds remaining in the Pre-Substantial Completion Revenue Account, the Construction Account (including the sub-accounts thereof), and the Working Capital



Reserve Account will be transferred to the Post-Substantial Completion Revenue Account, provided that unspent proceeds of the Series 2016A Bonds may be used to redeem Series 2016A Bonds as described in “PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS – Redemption of the Series 2016 Bonds – Extraordinary Redemptions,” and certain amounts resulting from unspent contingencies during the construction period may be used to redeem Series 2016 Bonds or for certain other purposes, as described in “PART 9 – PLAN OF FINANCE – Sources and Uses of Funds for the Demolition Facilities and Construction of the New Facilities.”

After the End of Funding Date, the Borrower will promptly deposit into the Post-Substantial Completion Revenue Account (i) all Project Revenues and all other amounts received by the Borrower from any source whatsoever, except for (x) the Non-Pledged Receipts and (y) amounts deposited in other Project Accounts pursuant to the Collateral Agency Agreement, and (ii) and amounts transferred from other Project Accounts as required by the terms of the Collateral Agency Agreement. Pending such deposit, the Borrower will hold all such amounts received by it in trust for the benefit of the Secured Parties.

The Collateral Agent will, on each Transfer Date occurring after the End of Funding Date, make the following withdrawals, transfers and payments from the Post-Substantial Completion Revenue Account in the amounts, at the times and only for the purposes specified below at the request of the Borrower in the following order of priority, after giving effect to any other transfers into the Project Accounts specified below instructed by the Borrower to be made on or prior to such Transfer Date:

*First*, in the following order of priority (i) if any Rebate Amount is due under the Indenture, to fund the Rebate Account in an amount equal to such Rebate Amount, and thereafter (ii) pro rata to pay all fees, administrative costs and expenses then due and payable under the Financing Documents to the Collateral Agent, the Deposit Account Bank, the Securities Intermediary, the Trustee or the Issuer, and to pay any costs of any applicable Nationally Recognized Rating Agencies (to the extent such amounts have not previously been disbursed from the Operating Account or the Construction Account for such purposes);

*Second*, pro rata, to (x) the Operating Account, an amount sufficient, when taken together with amounts then on deposit therein, to pay (i) the O&M Expenses (other than the performance fee), (ii) Major Maintenance expenses (to the extent funds on deposit in the Major Maintenance Reserve Account are not sufficient to pay such Major Maintenance expenses), and (iii) any other amounts due to the Port Authority (except amounts payable as First Additional Rent or Second Additional Rent), in each case to the extent then due and payable, or reasonably projected to be due and payable, prior to the next succeeding Transfer Date, (y) the Handback Reserve Account to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Handback Amount, if any, and (z) to the Performance Fee Account, the amount necessary, if any, to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Performance Fee Account Requirement;

*Third*, to each Interest Payment Sub-Account maintained with respect to any Series of Senior Bonds the sum of (i) one-sixth (1/6) of the amount of the interest payable on the relevant Series of Senior Bonds on the next Interest Payment Date therefor, (ii) if such Transfer Date is also an Interest Payment Date, or the last Transfer Date before an Interest Payment Date, any other amount required to make the amount credited to the relevant Interest Payment Sub-Account equal to the amount payable on the applicable Series of Senior Bonds on such Interest Payment Date, and (iii) the sum of any continuing shortfall in transfers required to have been made on any preceding Transfer Date; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause Third, transfers shall be made to the various Interest Payment Sub-Accounts

maintained with respect to any Series of Senior Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account;

*Fourth*, (i) commencing six months before the first Principal Payment Date (including any mandatory sinking fund redemption date) with respect to any Senior Bonds with semi-annual Principal Payment Dates and sinking fund redemption dates, to the relevant Principal Payment Sub-Account one-sixth (1/6) of the principal due on such Senior Bonds on the next Principal Payment Date therefor, (ii) if the Transfer Date is also a Principal Payment Date (including any mandatory sinking fund redemption date) or the last Transfer Date before a Principal Payment Date (or mandatory sinking fund redemption date), any other amount required to make the amount credited to relevant Principal Payment Sub-Account equal to the amount of principal due with respect to such Senior Bonds on such Principal Payment Date or mandatory sinking fund redemption date, and (iii) the sum of any shortfall in transfers required to have been made on any previous Transfer Date; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Fourth*, transfers shall be made to the various Principal Payment Sub-Accounts on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account;

*Fifth*, on the Transfer Date immediately preceding the due date of the First Additional Rent, to the Operating Account, an amount sufficient to make such payment to the Port Authority as directed by the Borrower;

*Sixth*, to each Debt Service Reserve Sub-Account maintained with respect to any Series of Senior Bonds, to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the relevant Debt Service Reserve Requirement with respect to such Series of Senior Bonds; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Sixth*, transfers shall be made to the various Debt Service Reserve Sub-Accounts maintained with respect to the Senior Bonds on a pro rata basis measured by the amounts of the respective deficiencies in the applicable sub-accounts;

*Seventh*, to the O&M Reserve Account to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the O&M Reserve Requirement;

*Eighth*, on the Transfer Date immediately following each Calculation Date, to the Major Maintenance Reserve Account to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Major Maintenance Reserve Requirement as of such Calculation Date;

*Ninth*, to any applicable accounts established with respect to any Series of Subordinate Bonds, amounts due with respect to interest, principal, and debt service reserve amounts with respect to such Subordinate Bonds;

*Tenth*, on the Transfer Date immediately following each Calculation Date, to the Airline Discount Account, the Airline Amount; and

*Eleventh*, on the Transfer Date immediately following each Calculation Date, (i) to the Second Additional Rent Account, the amount to be paid to the Port Authority as Second Additional Rent pursuant to the Lease Agreement and (ii) all remaining amounts following the transfer described in the preceding clause (i), to the Distribution Account.

Notwithstanding the foregoing, the Collateral Agent shall automatically make the transfers described in clauses *First* (i), *Third*, *Fourth*, *Sixth* and *Ninth* even if not instructed to do so by the Borrower.

Any amounts deposited into the Airline Discount Account will be transferred semi-annually from such account to the Post-Substantial Completion Revenue Account, for application as set forth above.

Except as provided in the next paragraph, funds on deposit in the Performance Fee Account, Distribution Account and Second Additional Rent Account (collectively, the “Lock-up Accounts”) shall be transferred, paid or distributed only upon satisfaction of the Restricted Payment Conditions. See “PART 3 – SECURITY FOR THE SERIES 2016 BONDS – The Collateral Agency Agreement – Restricted Distributions.”

Prior to Substantial Completion, amounts may be transferred by the Borrower to the Manager to pay the performance fee, without having to satisfy the Restricted Payment Conditions. After Substantial Completion is achieved, all funds held in the Lock-up Accounts remain subject to the Security Interest created by the Collateral Agency Agreement and are available to fund a shortfall in any of the accounts referenced in Items *First* through *Ninth*, inclusive, in the order of priority set forth above under this subheading “ – Flow of Funds Post-Substantial Completion” after all amounts available in the Post-Substantial Completion Revenue Account have first been applied in accordance with the Post-Substantial Completion flow of funds.

If on any Transfer Date following the making of the transfers required to be made from the Post-Substantial Completion Revenue Account pursuant to Items *First* through *Ninth*, inclusive, set forth above under this subheading “ – Flow of Funds Post-Substantial Completion ,” the amounts on deposit in the Post-Substantial Completion Revenue are not sufficient to make such transfers in full, the Collateral Agent shall transfer funds, *first*, from the Performance Fee Account, the Distribution Account, and the Second Additional Rent Account (pro rata based on the respective balances in such accounts), *second*, from the Working Capital Reserve Account (if open), *third* from the Major Maintenance Reserve Account, *fourth*, from the O&M Reserve Account, *fifth*, pro rata from any Debt Service Reserve Sub-Account established with respect to any Subordinate Bonds, *sixth*, pro rata from any Principal Payment Sub-Account established with respect to any Subordinate Bonds, *seventh*, pro rata from any Interest Payment Sub-Account established with respect to any Subordinate Bonds, *eighth*, pro rata from any Debt Service Reserve Sub-Account established with respect to any Senior Bonds, *ninth*, pro rata from any Principal Payment Sub-Account established with respect to any Senior Bonds, *tenth*, pro rata from any Interest Payment Sub-Account established with respect to any Senior Bonds, and, *eleventh*, from the Operating Account and, in each case in order to fund shortfalls in the Accounts set forth above in the order of priority of such Accounts as depicted above under this subheading “ – Flow of Funds Post-Substantial Completion.”

## **PART 5 – LAGUARDIA AIRPORT**

### **General**

The Airport is located at Flushing Bay in the Borough of Queens, New York, on the north shore of Long Island. It is approximately 650 acres in area. Opened under New York City operation in December 1939, it has been leased since June 1, 1947, together with John F. Kennedy International Airport, to the Port Authority by the City of New York. The Airport has two 7,000-foot runways, a passenger terminal with 35 aircraft gate positions, one air shuttle passenger terminal with six aircraft gate positions, two additional airline passenger terminals with ten and twenty-one aircraft gate positions,

respectively, three hangars (used for baggage handling, aircraft maintenance and storage of parts and ground service equipment storage and maintenance), and two patron parking structures.

The Port Authority is currently engaged in various activities pertaining to the redevelopment of the Airport to address its short and long-term infrastructure needs, including the Construction Project and the potential redevelopment of Terminals C and D by Delta Air Lines. See “PART 7 – THE CONSTRUCTION PROJECT – Related LaGuardia Airport Terminal Projects” herein.

### **The City Lease**

The Port Authority operates John F. Kennedy International Airport and the Airport under a lease agreement with the City of New York entered into in 1947 and amended and supplemented from time to time thereafter (the “City Lease”).

On November 24, 2004, the City of New York and the Port Authority amended and restated the original lease agreement, among other items, to provide for the extension, effective as of January 1, 2002, of the term of such lease agreement through December 31, 2050. Beginning in 2007, and every five years thereafter, the minimum annual rental under the City Lease is reset to equal 10% of average gross revenues at John F. Kennedy International Airport and the Airport over the prior five-year period, so long as such adjustment does not result in a lower minimum annual rental than was payable for the prior five-year period. Gross revenues include all revenues arising out of John F. Kennedy International Airport and the Airport, but exclude federal grants or monies received as a result of any federal statute, regulation or policy, such as Passenger Facility Charges and amounts used for airport security.

Subject to certain procedural requirements, including notice to the Port Authority, the City of New York is entitled to seek a termination of the City Lease prior to its stated expiration, resulting in the loss of the Port Authority’s rights with respect to the Airport, if the Port Authority fails to meet its payment obligations or to provide certain information required under the City Lease. An early termination of the City Lease for any reason while the Lease Agreement remains in effect would also result in termination of the Lease Agreement. In such event, any previously issued bonds with respect to the Airport which are then outstanding, including any Series 2016 Bonds, may become subject to extraordinary mandatory redemption, but neither the Borrower nor the Collateral Agent would have any further leasehold interest in the Terminal B Facilities through which to generate revenues to seek repayment of the Series 2016 Bonds. If the City Lease is terminated due to the failure of the Port Authority to meet its payment obligations or to provide certain information required under the City Lease (provided that such failure was not due to a failure of the Borrower to comply with its obligations under the Lease Agreement) or pursuant to an amendment, restatement, modification or addition to the City Lease, the Port Authority may be obligated, subject to approval by the Port Authority’s Board of Commissioners, to make a termination payment to the Borrower. See “PART 16 – RISK FACTORS – Risks Related to the City Lease” herein.

Neither the Port Authority nor the Borrower makes any representations or warranties concerning the status of the City Lease. Further, no assurance can be provided that the City Lease will remain in effect during the full terms of the Lease Agreement or the Series 2016 Bonds.

### **The Port Authority Operation of the Airport and Other Airports**

The Port Authority owns or operates five airports. The Port Authority’s airport revenues are somewhat insulated against dramatic downturns in the aviation industry because they come from a variety of sources, including cost-recovery based agreements, facility rentals, and commercial activities at the airports. A limited number of these sources are related to passenger and cargo volume at the airports and may be affected by trends in the airline industry, the nature of federal legislation, governmental

regulations, and judicial proceedings affecting the airline industry, including security and national economic conditions. In 2015, John F. Kennedy International Airport, the Airport, and Newark Liberty International Airport handled approximately 122,800,000 passengers, which represented increases of approximately 6.8%, 5.4% and 5.3%, respectively, from 2014.

Airlines operating at John F. Kennedy International Airport, the Airport, and Newark Liberty International Airport are required to pay to the Port Authority, as compensation for the Port Authority's ongoing design, construction, operation, and maintenance of certain public aircraft facilities, a flight fee, which is calculated generally on the basis of the direct and allocated costs of operating and maintaining such public aircraft facilities and the weight of aircraft using the airport. The flight fee agreement for Newark Liberty International Airport expires in 2018. On December 1, 2004, the Port Authority and the airlines representing a majority of the traffic at John F. Kennedy International Airport and the Airport entered into new flight fee agreements, effective as of January 1, 2004 (replacing the prior agreements which expired on December 31, 2003) for a twenty-year term expiring on December 31, 2023.

### **Passenger and Air Traffic**

#### ***Air Trade Area***

The Airport's Air Trade Area consists of the Bridgeport-Stamford-Norwalk, CT and New York-Newark-Jersey City Metropolitan Statistical Areas.

(Remainder of Page Intentionally Left Blank)

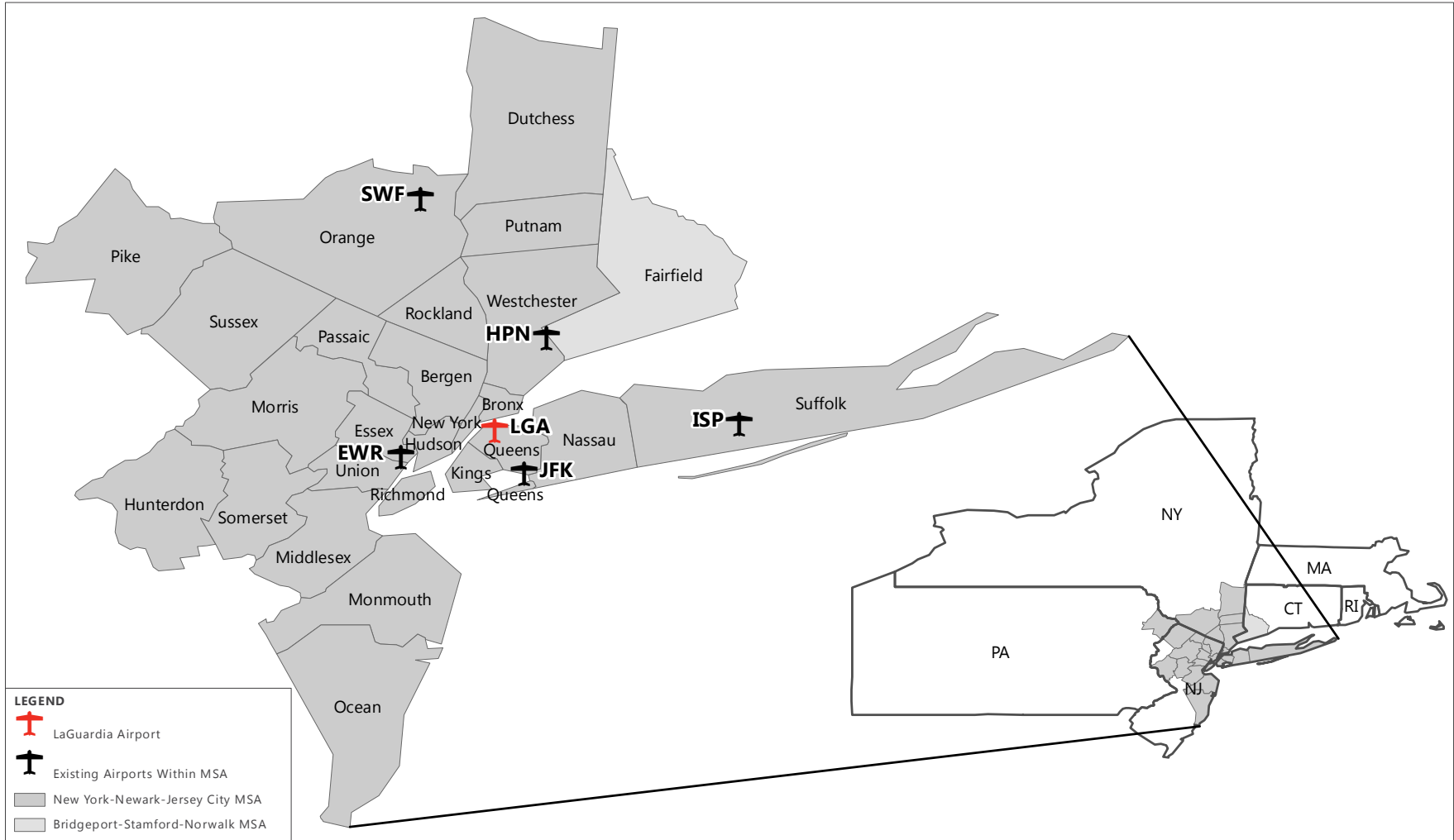


EXHIBIT 3-1

LaGuardia Airport Air Trade Area

As discussed more fully in the report of the Airport Consultant, the air trade population, the largest in the United States, grew from approximately 19,900,000 in 2000 to approximately 21,100,000 in 2015. Per capita personal income in 2015 measured \$58,026 compared to \$43,021 nationally. Moreover, Woods & Poole Economics, Inc. projects per capital personal income to rise to \$67,541 by 2025. Further, 30.4% of households in the Air Trade Area had per capital personal incomes of over \$100,000 compared to 20.2% nationwide.

The Air Trade Area was home to 82 Fortune 500 corporations in 2015. Additionally, the Air Trade Area serves as headquarters to international and national professional associations, foundations and governmental institutions such as the United Nations. Tourism is an important industry in the Air Trade Area with approximately 56,400,000 visitors in 2014, approximately 12,200,000 of whom were international. It is the most popular tourist destination in the United States.

The Air Trade Area is served by six commercial airports, John F. Kennedy International Airport, Newark Liberty International Airport, Stewart International Airport, Westchester County Airport, Long Island MacArthur Airport, and the Airport. The Airport serves the third largest number of passengers in the Air Trade Area. The Airport is the closest of these six to the densely populated core area surrounding Manhattan and served approximately 23.1% of enplaned passengers served by John F. Kennedy International Airport, Newark Liberty International Airport, and the Airport.

### ***Operating Authorizations***

Based on the significant demand for airline service from within the Air Trade Area, as well as the practical limitations affecting the region's air traffic space and the runway capacity at each of the Airport, John F. Kennedy International Airport and Newark Liberty International Airport, the Federal Aviation Administration (the "FAA") has published a series of rulemakings, beginning in 2006 at the Airport and in 2008 at John F. Kennedy International Airport and Newark Liberty International Airport, which established limits on the number of flight operations that airlines may schedule during peak operating periods each day at each such airport. These limitations are intended to reduce flight delays and facilitate more orderly aircraft flows into and out of the air traffic space surrounding New York City. The FAA has extended the limits on scheduled operations at the airports several times through subsequent rulemaking. Under the FAA's current Order on Operating Limitations for the Airport (the "O/A Order"), scheduled flight take-offs and landings (each an "Operating Authorization") at the Airport are sought to be limited to 71 per hour between the hours of 6:00 a.m. and 9:59 p.m. Monday through Friday and noon to 9:59 p.m. on Sunday. Most recently, the FAA issued a Notice of Extension to Order on March 27, 2014 with respect to the Airport maintaining the current limitations on operations at the Airport, and extending the date of the current O/A Order until the final Rule on Slot Management and Transparency for the Airport, John F. Kennedy International Airport and Newark Liberty International Airport becomes effective, but not later than October 29, 2016. On January 8, 2015 the FAA issued a Notice of Proposed Rulemaking (with a comment period expiring on May 8, 2015) proposing the establishment of permanent operational caps at the Airport, John F. Kennedy International Airport and Newark Liberty International Airport that would (i) restrict the number of scheduled and non-scheduled operations per hour (arrivals and departures) during peak hours, and (ii) institute a cap on the total number of operations each day. The proposed hourly cap on scheduled operations at each airport is the same as the current hourly cap. On April 1, 2016, the FAA announced that the Order on Operating Limitations for Newark Liberty International Airport will expire on October 29, 2016, thereby relaxing the current limits on the number of flight operations that airlines may schedule during peak operating periods each day at Newark Liberty International Airport. On April 1, 2016, the FAA announced that the O/A Order, as well as the Order on Operating Limitations for John F. Kennedy International Airport, both will be extended, through separate notices published in the Federal Register, until October 27, 2018. Throughout this process, the Port Authority has repeatedly advised the FAA that, in its opinion, the best approach to address air traffic

congestion and resultant delays is through increasing air space capacity, better management of existing air space capacity, and improved customer service.

Operating Authorizations were allocated to the airlines operating at the Airport by the FAA according to the airlines' flight activity at the time the current O/A Order was issued in December 2006. Under the current O/A Order, an airline's use of each of its allocated Operating Authorizations is subject to certain minimum usage requirements. Operating Authorizations that have not been operated by an airline consistent with the minimum use requirements could be withdrawn by the FAA and reallocated to another airline. In general, airlines with Operating Authorizations may also lease or trade Operating Authorizations with other airlines, following FAA approval, so long as the arrangement does not extend beyond the current expiration date of the O/A Order. Accordingly, for so long as the FAA's current O/A Order or similar flight limitations for the Airport remain in effect, an airline's ability to initiate or increase scheduled service to and from the Airport will necessarily depend upon that airline having or obtaining from the FAA unused or reallocated Operating Authorizations, or being able to obtain leased or traded Operating Authorizations from other airlines, at its desired operating times. For additional information concerning the Air Trade Area, as well as historical passenger activity and air traffic restrictions concerning the Airport and other area airports, see APPENDIX B-4 – "REPORT OF THE AIRLINE TRAFFIC FORECAST CONSULTANT."

### ***Perimeter Rule***

In 1984, the Port Authority established what is known as the "perimeter rule" which geographically restricts flight activity at the Airport. Pursuant to this rule, Sunday through Friday nonstop flights are restricted to a distance within 1,500 miles of the Airport, with the exception of flights to and from Denver, Colorado. While the Port Authority initiated a study of possible modifications and/or repeal of the "perimeter rule," it is not possible to predict whether and how any future modification or repeal of the "perimeter rule" would affect air traffic and the operation of the Airport and airline demand for the Terminal B Facilities.

## **Passenger Terminals**

### ***Terminal B***

The existing Terminal B at the Airport opened to the public in 1964. Originally designed with a capacity of eight million annual enplaned and deplaned air passengers, the existing Terminal B and its related facilities are viewed as inefficient based on current passenger and industry standards, past their useful life, and undersized for current and projected passenger demand. The existing Terminal B serves most of the Airport's scheduled domestic airlines and was originally constructed at a cost of \$36,000,000 and then expanded and modernized in the 1990s at a cost of \$340,000,000. The expansion increased the size of the existing Terminal B from 750,000 to 835,000 square feet and now consists of a four-story central section, two three-story wings and four concourses that can accommodate up to 35 aircraft gate positions. A number of additional improvements at the existing Terminal B were completed in 2009, including a consolidated flight information display system and welcome centers at the east and west ends.

As of December 31, 2015, eight of the ten airlines operating scheduled service at the Airport operated at the existing Terminal B (in order of total passenger traffic): American Airlines, Southwest Airlines, United Airlines, JetBlue Airways, Spirit Airlines, Air Canada, Frontier, and Virgin America. All such airlines conduct their passenger operations at the Airport exclusively from Terminal B, except for American Airlines which also conducts a portion of its passenger operations from Terminal C using aircraft gates occupied by US Airways prior to the companies' merger in 2013. Only Delta Air Lines, WestJet, and Miami Air International (a charter service) conduct passenger operations at other terminals at the Airport.



Terminal B is the largest of the Airport's main passenger terminals and plays a key role in the operation of the Airport. Given the Airport's limited terminal capacity and the scope of Delta Air Lines' current operations at the Airport, and while there can be no assurance that airline users and activity at Terminal B will not change over time, Terminal B is currently the operational base for most other airlines serving the Airport and their substantial passenger operations. In 2015, the existing Terminal B served approximately 50.4% of the total passenger traffic at the Airport.

The Borrower is expected to take over operation and management of the existing Terminal B on the commencement date of the Lease Agreement, at which time it will assume the existing use or lease agreements of each current airline tenant in the Existing Terminal B Facilities. The Borrower is also engaged in discussions with the current airline tenants in the Existing Terminal B Facilities regarding the Construction Project and potential long-term agreements for the airlines' use of the New Terminal B Facilities. See "PART 12 - AERONAUTICAL REVENUES." The Borrower and the Port Authority expect that the Construction Project may facilitate the consolidation into Terminal B of all of American Airlines' passenger operations at the Airport, although any such consolidation could also result in the need for other airlines now operating at Terminal B to be accommodated at other passenger terminals at the Airport.

In addition to the existing Terminal B, the Airport consists of three other main passenger terminals, each of which are briefly described below.

#### ***Terminal A***

Once called the Overseas Terminal, and then the Marine Air Terminal, Terminal A was the original airport terminal building, serving international flights on flying boats through the 1940s. In 1995, Terminal A was designated an historic landmark. Delta Air Lines operates shuttle service to Chicago and Washington, D.C. from a six-gate facility which does not have landmark status, but is connected to Terminal A. Delta Air Lines operates shuttle service to Boston from Terminal C.

#### ***Terminal C***

Terminal C is located between Terminal B and Terminal D and comprises approximately 300,000 square feet of space with 21 aircraft contact gates. Terminal C is operated by Delta Air Lines and also serves American Airlines and Canadian carrier WestJet. The main section features a food, retail, and concessions court and a welcome center on the arrivals level. The shuttle section serves passengers on hourly flights to Boston and Washington, D.C. See "PART 7 – THE CONSTRUCTION PROJECT – Related LaGuardia Airport Terminal Projects."

#### ***Terminal D***

Terminal D, which consists of ten gates, was constructed by Delta Air Lines at the east end of the Airport and opened in June 1983. In 2010, Delta Air Lines began to improve the terminal's food, retail, and concession options and the Port Authority opened a welcome center on the arrivals level. In late 2011, Delta Air Lines took over the US Airways lease of Terminal C and expanded its operations. In 2012, Delta opened a 600-foot long enclosed walkway connecting Terminals C and D. See "PART 7 – THE CONSTRUCTION PROJECT – Related LaGuardia Airport Terminal Projects."

### **Historical Airline Market Share of Enplaned Passengers at the Airport**

As of December 31, 2015, the Airport was served by ten airlines providing scheduled passenger service. The vast majority of the Airport's airline tenants, are, and have been, domestic-based airlines providing scheduled service primarily throughout the continental United States, while also servicing

Canada and the Caribbean. In 2015, eight of the ten airlines providing scheduled passenger service at the Airport were domestic-based airlines, with the remaining two representing Canada. Further, in 2015, approximately 93.8% of total passengers at the Airport were domestic passengers. In 2014 approximately 91% of passengers began or ended their trip at the Airport (“O&D passengers”). Historical traffic at the Airport over the past ten years is set out below.

**Historical Enplaned Passengers**

<u>Year</u>	<u>Total Enplaned Passengers</u>
2006	13,283,106
2007	12,900,131
2008	11,959,080
2009	11,471,297
2010	12,381,532
2011	12,492,652
2012	13,336,136
2013	13,879,803
2014	14,009,778
2015	14,722,411

Note: Includes nonrevenue passengers.

Source: The Port Authority of New York and New Jersey, Airport Traffic Report, April 2016.

Prepared by: Ricondo & Associates, Inc., April 2016.

The top ten domestic origin and destination markets served by the Airport in 2015 are set out below.

**Top Ten Domestic Origin and Destination Passenger Markets - 2015**

<u>Rank</u>	<u>Market</u>	<u>Total O&amp;D Passengers</u>
1	Chicago (ORD)	2,016,564
2	Atlanta	1,494,311
3	Fort Lauderdale - Hollywood	1,302,938
4	Miami	1,249,246
5	Orlando	927,208
6	Dallas-Fort Worth (DFW)	898,931
7	Denver	758,545
8	Detroit	690,290
9	West Palm Beach	639,475
10	Charlotte	589,214

Note: Total passengers, both ways. For the 12 months ended June 30, 2015.

Sources: U.S. Department of Transportation DB1B Survey; Innovata, December 2015.

Prepared by: Ricondo & Associates, Inc., December 2015.

The following table presents the historical airline market shares of enplaned passengers over the past five years at the Airport.

**Historical Airline Market Shares of Enplaned Passengers**

<b>AIRLINE<sup>1</sup></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Delta Air Lines	29.6%	36.3%	39.7%	39.3%	38.4%
American Airlines <sup>2</sup>	38.4%	32.4%	28.9%	27.6%	27.0%
Southwest Airlines	7.7%	7.4%	7.5%	8.7%	9.3%
United Airlines	10.3%	9.2%	8.7%	8.7%	8.4%
JetBlue Airways	3.5%	4.6%	5.4%	5.4%	5.6%
Spirit Airlines	4.8%	4.5%	4.7%	4.7%	4.4%
Air Canada	3.3%	3.3%	3.2%	3.4%	3.6%
WestJet Airlines	-	0.7%	1.2%	1.3%	1.4%
Frontier Airlines	2.4%	1.4%	0.8%	0.7%	0.9%
Virgin America	-	-	-	0.2%	0.9%

Note: Includes airlines with a greater than 0.1% market share in 2015.

<sup>1</sup> Includes regional affiliates where applicable.

<sup>2</sup> Includes US Airways.

Source: The Port Authority of New York and New Jersey, Airport Traffic Report, February 2016.

Prepared by: Ricondo & Associates, Inc., February 2016.

(Remainder of Page Intentionally Left Blank)

The following table sets forth historical enplaned passengers by Terminal at the Airport since 2005.

**Historical Enplaned Passengers by Airport Terminal**

<b>Year</b>	<b>Terminal A</b>	<b>Terminal B</b>	<b>Terminal C</b>	<b>Terminal D</b>	<b>Airport Total</b>	<b>Terminal B As A Percent Of Airport Total</b>
2005	624,527	6,847,259	2,407,934	3,076,201	12,955,921	52.9%
2006	688,015	7,030,872	2,317,677	2,866,270	12,902,834	54.5%
2007	650,259	6,879,774	2,312,141	2,692,034	12,534,208	54.9%
2008	520,385	6,206,832	2,127,260	2,713,727	11,568,204	53.7%
2009	445,380	5,755,951	2,239,562	2,686,947	11,127,840	51.7%
2010	571,500	6,290,917	2,174,117	2,975,554	12,012,088	52.4%
2011	445,980	6,368,523	2,116,759	3,147,739	12,079,001	52.7%
2012	499,314	6,472,353	3,014,143	2,885,204	12,871,014	50.3%
2013	463,985	6,569,149	3,783,127	2,586,307	13,402,568	49.0%
2014	455,895	6,767,583	3,821,265	2,462,999	13,507,742	50.1%
2015	322,852	7,165,130	4,631,925	2,117,877	14,237,784	50.3%
<b>Compound Annual Growth Rate</b>						
2005 - 2015	-6.4%	0.5%	6.8%	-3.7%	0.9%	

Note: Excludes nonrevenue passengers

Source: The Port Authority of New York and New Jersey Airport Traffic Report, April 2016.

Prepared by: Ricondo & Associates, Inc., April 2016.

(Remainder of Page Intentionally Left Blank)

For additional information concerning historical airline service activity and terminal facility demand at the Airport and its terminals, see APPENDIX B-4 – “REPORT OF THE AIRLINE TRAFFIC FORECAST CONSULTANT.”

## PART 6 – PROJECT PARTICIPANTS

### The Issuer

The Issuer was created on October 30, 2015 under Section 1411 of the New York Not-For-Profit Corporation Law (the “NFP-C Law”). The Issuer had its organizational meeting on November 3, 2015.

The Issuer has all powers conferred upon a not-for-profit corporation by the NFP-C Law. However, in fulfilling its purpose, the Issuer does not impose any liabilities or obligations upon the New York Job Development Authority (“JDA”), the New York State Urban Development Corporation, doing business as Empire State Development, the Governor of the State of New York, or the State of New York.

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

### Directors and Officers of the Issuer

The Directors of the Issuer are:

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

The Officers of the Issuer are:

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

## **The Port Authority**

The Port Authority is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created and existing by virtue of the Compact of April 30, 1921, made by and between the two States, and thereafter consented to by the Congress of the United States. In the Compact, the two States recited their confident belief that a better coordination of the terminal, transportation, and other facilities of commerce in the Port of New York would result in great economies benefiting the nation as well as the States and that the future development of such facilities would require the cordial cooperation of the States in the encouragement of the investment of capital and in the formulation and execution of necessary plans. The two States also recited that such result could best be accomplished through the cooperation of the two States by and through a joint or common agency, and to that end, after pledging, each to the other, faithful cooperation in the future planning and development of the Port of New York, they created the Port of New York District (the "Port District") and The Port of New York Authority, the name of which was changed, effective July 1, 1972, to "The Port Authority of New York and New Jersey." The Compact has been amended and supplemented from time to time by legislation adopted by the two States.

In general, the purpose of the States of New York and New Jersey in establishing the Port Authority was to provide transportation, terminal, and other facilities of commerce within the Port District. For such purpose the States have from time to time authorized specific transportation and terminal facilities and facilities of commerce and economic development, and have given the Port Authority power to borrow money upon its bonds or other obligations, to establish charges for the use of such facilities and, in connection with specific facilities, to acquire real and personal property by condemnation or the exercise of the right of eminent domain or otherwise. The Port District comprises an area of about 1,500 square miles in both States, centering about New York Harbor. The Port District includes the Cities of New York and Yonkers in New York State, and the Cities of Newark, Jersey City, Bayonne, Hoboken, and Elizabeth in the State of New Jersey, and over 200 other municipalities, including all or part of seventeen counties, in the two States.

The Port Authority's facilities include two tunnels and four bridges between the States of New York and New Jersey, the Hudson Tubes facility, a bus terminal, the Trans-Hudson ferry service, five airports, the World Trade Center, the Newark Legal and Communications Center, six marine terminals, two waterfront development facilities, the Oak Point Rail Freight Link, four industrial development facilities, a resource recovery facility, and certain regional development facilities. From time to time on the basis of determinations by the Port Authority that such property was no longer required for the purposes for which it was acquired, the Port Authority has sold certain real property constituting all or part of certain facilities.

The Port Authority raises the necessary funds for the improvement, construction or acquisition of its facilities primarily upon the basis of its own credit. The Port Authority has no power to levy taxes or assessments. Its bonds, notes and other obligations are not obligations of the two States or of either of them, and are not guaranteed by the States or by either of them. The revenues of the Port Authority are derived principally from the tolls, fares, landing and dockage fees, rentals and other charges for the use of, and privileges at, certain of the Port Authority's facilities; other facilities operate at a deficit, do not generate surplus revenue or are non-revenue producing to the Port Authority. The purposes for which the Port Authority's various funds, including revenues, can be applied are set forth in various statutes and in the agreements with the holders of its obligations. For additional information on the Port Authority see APPENDIX C – "INFORMATION RELATING TO THE PORT AUTHORITY."

## **The Borrower**

### ***General Information Concerning the Borrower***

The Borrower is a Delaware limited liability company that was formed in June 2015 for the principal purpose of entering into the Lease Agreement and undertaking the Construction Project and the Operations and Maintenance Work thereunder. The Borrower's leasehold interest in the Terminal B Facilities under the Lease Agreement with the Port Authority constitutes its principal asset. The Borrower is a special purpose entity and does not anticipate engaging in any material operations other than the conduct of the Construction Project and the Operations and Maintenance Work.

### ***The Borrower's Ownership Structure***

The membership interests in the Borrower are owned 1/3 by Vantage Airport Group (New York) LLC (the "Vantage Member"), 1/3 by Skanska ID LGP, LLC (the "Skanska Member"), and 1/3 by MI LaGuardia CTB, LLC (the "Meridiam Member"). The Vantage Member is an affiliate of Vantage Airport Group Ltd., ("Vantage"), which is a wholly-owned indirect subsidiary of Gateway Airports, L.P., a fund managed and controlled by Corsair Infrastructure Management, L.P., an affiliate of Corsair Capital LLC. The Skanska Member is 100% owned by Skanska Infrastructure Development, Inc., a Delaware corporation, and is an indirect subsidiary of Skanska AB, one of the world's ten largest construction and development companies. The Meridiam Member is 100% owned by Meridiam Infrastructure North America Fund II and managed and advised by Meridiam Infrastructure North America Corporation ("MINA Corp"). MINA Corp. is a Delaware corporation that is a wholly-owned subsidiary of Meridiam SAS, a Paris-based infrastructure fund manager.

### ***The Borrower's Governance Structure***

As a limited liability company, governance and management of the Borrower will be governed by the terms of an amended and restated limited liability company agreement (the "LLC Agreement"). The LLC Agreement provides for the Borrower to be managed by a Board of Directors, initially consisting of six Directors. The Equity Members of the Borrower are entitled to designate one Director for each 15% of their outstanding membership interests in the Borrower and, accordingly, each Equity Member will initially designate two of such Directors. Each Equity Member will also have the right under the LLC Agreement, subject to such Equity Member retaining 18% of the outstanding membership interests in the Borrower, to nominate individuals to fill certain specified officer positions of the Borrower, following approval of such nominations by the Board of Directors. In particular, the Vantage Member will have the right to nominate individuals to serve as the Borrower's Chief Executive Officer, Chief Commercial Officer, Chief Operations Officer, and Project Manager, each from a list of nominees for the applicable position provided by the Manager. The Meridiam Member will have the right to nominate the Borrower's Chief Financial Officer, and the Skanska Member will have the right to nominate the Borrower's Chief Technical Officer.

Certain material governance and business matters require the unanimous approval of the Board of Directors, including, among other things: (i) issuing additional membership interests or other equity interests, (ii) making any material change in the business or affairs of the Borrower, (iii) entering into or terminating certain material contracts, (iv) issuing Additional Bonds (except to pay costs and expenses in connection with capital expenditures required to comply with the Lease Agreement) or incurring any indebtedness that is not otherwise permitted under the Borrower's financing arrangements, (v) establishing business plans and budgets, (vi) commencing or settling certain material litigation, and (vii) adopting or materially amending company policies of the Borrower.

Directors that are designated by the Vantage Member are generally not permitted to vote on matters related to the Management Services Agreement, so long as an affiliate of the Vantage Member is party to the Management Services Agreement. Similarly, Directors that are designated by the Skanska Member are generally not permitted to vote on matters related to the D&C Contract, so long as an affiliate of Skanska is the Design-Builder.

Under the LLC Agreement, certain actions are reserved to the members of the Borrower and can only be taken if each of the members of the Borrower holding at least 15% of the membership interests in the Borrower vote or consent to such actions, including, among other things: (i) voluntarily winding up, liquidating or dissolving the business, (ii) declaring bankruptcy, or (iii) issuing equity securities through a public offering.

### ***Restrictions on Transfers***

Under the Lease Agreement, the Borrower may not transfer its leasehold interest in the Lease Agreement without the consent of the Port Authority, in its sole discretion, and Port Authority consent is also required for a change in control of the Borrower, including through transfers of membership interests in the Borrower. However, the Lease Agreement provides for certain exceptions, pursuant to which such transfers of interest or Borrower changes in control may be accomplished without Port Authority consent, including transfers by Equity Members to certain of their affiliates, or transfers of securities in open market transactions. The consent rights of the Port Authority referred to above are exercisable by the Port Authority acting alone, without notice to or consent of the Collateral Agent, the Trustee or the holders of the Series 2016 Bonds. None of the Security Documents, nor the exercise by the Collateral Agent of its rights under the Security Documents, will constitute an assignment requiring approval of the Port Authority. For further discussion on the rights of the Port Authority to consent to transfers of the equity interests in the Borrower, see APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT.”

The Equity Members may transfer their membership interests in the Borrower, subject to compliance with the Lease Agreement, the Financing Documents, applicable securities laws, and the other restrictions set forth in the LLC Agreement. If an Equity Member proposes to transfer any of its membership interests in the Borrower, each other Equity Member has a right of first offer with respect to such proposed transfer. Furthermore, if certain kinds of changes in control of a particular Equity Member or its affiliates are proposed, then the other Equity Members will have the right to buy out the interests of such Equity Member affected by the change in control at a mutually agreed price or the fair market value determined by an appraiser. The Equity Members, however, are permitted to transfer their interests to affiliated entities and in certain other limited circumstances without having to comply with the right of first offer or triggering the buy-out right.

### ***The Borrower’s Management Team***

The Borrower’s governance structure leverages Vantage’s strength as an international airport manager, developer and investor with the expertise in infrastructure investment and management of highly complex projects provided by the Skanska Member and the Meridiam Member. The Borrower will be governed initially by a six-person Board of Directors, with two directors appointed from each of the Vantage Member, the Skanska Member and the Meridiam Member. Each member of the Board of Directors is a senior executive with a wealth of experience that will support the success of the Construction Project and the operation of the Terminal B Facilities. The Borrower’s Board of Directors will be focused on creating value by leveraging their firms’ experience to ensure the collective strength of all partners is focused on successful delivery.



### ***Board of Directors Membership***

- George Casey (Vantage): Mr. Casey is the President and CEO of Vantage Airport Group Ltd. and has more than 29 years of senior leadership and management experience in private and public airport development. He has been involved in capital planning, finance, operations, air service development, commercial management, mergers and acquisitions and privatizations in almost every region of the world. He has participated in the analysis, assessment and review of more than 165 airports and in more than \$7,000,000,000 of airport financings in support of capital projects and acquisitions worldwide. George has chaired or served on more than 12 airport boards of directors around the world. He also serves as a Director on the Vantage Airport Group Board.
- Colin Lowndes (Vantage): Mr. Lowndes has more than 20 years of senior management experience in the airport sector in business planning, operations, project management, financial management, and capital planning. He has participated in transitioning airport projects in Canada, Dominican Republic, Cyprus, and Honduras. He has served key roles as Managing Director of the Cyprus Airport Operator Group, Project Manager for four airports in Honduras, and Vice President Operations for six airports in the Dominican Republic. Presently, he is the Senior Director Operations Management and Projects with portfolio responsibilities for the Vantage network and the asset manager for airports in Canada, Bahamas, Chile, Cyprus, and Jamaica. Mr. Lowndes sits on the board of directors for the Montego Bay Airport in Jamaica and Santiago Airport in Chile.
- Magnus Eriksson (Skanska ID): Mr. Eriksson brings to the Borrower more than 20 years of senior leadership and management experience in project assessment, project financing, and public private partnerships. During his 15 years with Skanska ID, he has been part of delivering public private partnership projects (“P3s”) in excess of \$10,000,000,000. Magnus is a member of Skanska’s regional management team responsible for the P3 bid development activities in North America. Under his leadership, Skanska ID successfully closed the Elizabeth River Tunnels project in Virginia and the Ultimate I-4 project in Florida, two of the largest P3 projects in the US and currently under construction. Magnus has a vast international experience and was instrumental in the delivering the first P3 project ever of its kind in Norway, Poland, Russia, and Sweden.
- William Horwitz (Skanska ID): Mr. Horwitz has over 25 years of leadership experience in the development, financing, and operation of large-scale infrastructure projects. At Skanska since 2005, Mr. Horwitz has led efforts on P3 projects in both the US (e.g., Virginia, Florida, California, and Texas) and Latin America (e.g., Brazil and Chile). He was on the teams that completed the successful financing and start-up of the Elizabeth River Tunnels project in Norfolk, Virginia and I-4 Ultimate project in Orlando, Florida, and currently serves on both boards of directors.
- Jane Garvey (Meridiam): Ms. Garvey is Chairman for Meridiam’s North American operations. Jane formerly served as Administrator of the Federal Aviation Administration. Jane advises on wider relationships with regulators, airlines and stakeholders and brings extensive experience as a former Director of Boston Logan Airport, where she was responsible for overseeing its modernization program.
- Thilo Tecklenburg (Meridiam): Mr. Tecklenburg is the North American Chief Operating Officer at Meridiam, responsible for leading project development and financial structuring activities in North America. He has extensive experience with P3 projects and has led consortia for projects, totaling a committed finance volume of over \$5,000,000,000. Thilo was previously North American head of project development for Bilfinger Project Investments.

### ***Borrower Chief Executive Officer***

Stewart Steeves, CEO: Mr. Stewart Steeves is a senior international airport professional with 16 years of executive and senior management experience in the sector. Stewart is the senior executive leading the Borrower. He is the Chief Financial Officer of Vantage Airport Group Ltd., and also in charge of asset management for Vantage, overseeing an international network of eight airports around the globe. Prior to joining Vantage at its head office in 2013, he was the president and CEO of Nassau Airport Development Company where he oversaw more than 150 employees and a \$500,000,000 capital redevelopment and improvement project. Stewart has held senior positions at two Vantage airports—Nassau in The Bahamas and Hamilton International Airport in Ontario, Canada—and at Vancouver Airport Authority. Prior to becoming CEO in Nassau, he was the company’s Vice President, Airport Development and Vice President of Finance and CFO, managing construction and completed financing for the terminal redevelopment project. Stewart holds a Bachelor of Applied Science degree (Civil Engineering) from the University of Toronto, and an MBA from the Ivey School of Business at the University of Western Ontario. He is also a Professional Engineer, a Chartered Financial Analyst and a licensed pilot.

### ***Management and Operations; Transition and Mobilization***

Although supported by the Manager under the Management Services Agreement, the Borrower will directly employ most of its own staff who will be responsible for its day-to-day affairs, including operations, project management, finance, marketing and communications, concessions, human resources, and legal. The Borrower is not assuming any staff or employees of the Port Authority in connection with the consummation of the Lease Agreement, although the Lease Agreement does provide for certain transitional support to be made available by the Port Authority upon request. The Borrower commenced recruiting and interviewing in March of 2016 to be prepared to assume management of the Existing Terminal Facilities and expects to begin its operations following the commencement date of the Lease Agreement with approximately 30 personnel. The Borrower’s staffing levels may change over time as needs require.

As a result of Vantage’s successful delivery of 19 airports from public to private management, the Borrower brings the expertise and proven experience needed for a smooth transition from the Port Authority to Borrower management at the commencement of the Lease Agreement term.

Throughout the months leading up to the commencement of the Lease Agreement, Vantage has engaged and established working relationships with the Port Authority and terminal stakeholders. Operational knowledge transfer is underway and Vantage subject matter experts and transition team members have been deployed on-site full-time as part of its transition process. Recruitment has been launched and training will commence in early May to support the management handover.

As part of its transition planning, Vantage has reviewed existing operational plans and maintenance systems and has developed a suite of plans, procedures and communication strategies to be implemented at commencement of the Lease Agreement. Vantage has identified facility issues and prepared action plans that trigger immediate noticeable improvement; reviewed existing leases, concessions and tenancy agreements; and employed key strategies and plans to drive business results. Its approach is based on proven methods designed to create an immediate and noticeable impact.

## **The Equity Members**

### ***Vantage Airport Group (New York) LLC***

The Vantage Member is an Equity Member of the Borrower and an affiliate of Vantage Airport Group Ltd. (“Vantage”). Vantage is a wholly-owned indirect subsidiary of Gateway Airports, L.P., a fund managed and controlled by Corsair Infrastructure Management, L.P., an affiliate of Corsair Capital LLC (“Corsair”). Corsair is a global asset management firm headquartered in New York and active in alternative asset classes, including infrastructure. As affiliates, the Vantage Member and Vantage are under the common control of Corsair, have certain governance arrangements with respect to LaGuardia Gateway Partners, LLC, and the Vantage Member has access to the relevant expertise of Vantage.

Based in Vancouver, British Columbia, Canada, Vantage currently has a portfolio of eight airports across the globe. Vantage’s airports served over 28.8 million passengers in 2015. As part of integrated design-build-operate teams, Vantage has managed \$2,500,000,000 in capital projects and \$4,000,000,000 in airport financing. Vantage’s product suite includes expertise in airport and air service marketing, operations and maintenance, capital project management, process engineering, commercial development, risk management, energy management and communications.

Since its founding in 1994, Vantage has successfully exported its demonstrated expertise in airport and terminal operations from Vancouver to its operations in Santiago, Cyprus, the UK and elsewhere around the globe. Vancouver Airport Authority and Vantage are parties to a long-term Strategic Partnership Agreement, under which the parties collaborate and share information and resources.

Vantage has successfully managed significant and complex airport construction projects in widely different environments and operated several airports during construction, including construction coordination, operational readiness and transition, and transitions from existing terminals to new terminals in Nassau (Bahamas), Larnaka, Pafos and Santiago. During the successful transition of 19 airports from public to private operation, Vantage has developed a proprietary transition roadmap document that is flexible for adaptation to Terminal B.

### ***MI LaGuardia CTB, LLC***

*Overview.* The Meridiam Member, as of March 31, 2016, is a wholly-owned subsidiary of Meridiam Infrastructure North America Fund II (“MNII Fund”), a long term, socially aware investment fund with a fixed 25 year fund life and a buy-and-hold acquisition strategy in long term partnerships with its investor base and the public entities.

MNII Fund is managed and advised by MINA Corp. MINA Corp is a wholly-owned subsidiary of Meridiam SAS (“MSAS”), a Paris-based infrastructure fund manager founded in 2005. With offices in Paris, New York, Toronto, Istanbul and Luxembourg, the MSAS team has more than 50 investment and asset management professionals dedicated to supporting the development of MSAS’s investments.

MSAS’s investments are made primarily in greenfield Public Private Partnership (“P3”) projects in the transportation, social, energy and environmental sectors throughout North and South America, Eastern and Western Europe and Africa. Since its inception in 2005, MSAS and its subsidiaries have closed more than 40 P3 assets, nine of which are located in North America. Six of these projects in North America have reached substantial completion and are now in operation, including the Port of Miami Tunnel, the Long Beach Courthouse and the North Tarrant Expressway and LBJ managed lanes projects.

None of the obligations in respect of the Series 2016 Bonds or any of the Financing Documents (other than the obligations of the Meridiam Member under the Equity Contribution Agreement to the limited extent described herein), however, will constitute obligations of, or be guaranteed by, the Meridiam Member, MSAS, any fund managed or advised by MSAS or any of their affiliates other than the Borrower. In addition, except for the obligations of the Meridiam Member under the Equity Contribution Agreement to the limited extent described herein, none of the Meridiam Member, MSAS, any fund managed or advised by the MSAS or any of their affiliates, other than the Borrower, will be bound by the covenants set forth in the Financing Documents. Neither the Meridiam Member nor the Borrower will be required to provide updated information about the Meridiam Member, MSAS, MINA Corp. or any fund managed or advised by MSAS or any of their affiliates (other than the Borrower) to the holders of the Series 2016 Bonds.

Organizational Structure. None of the financial information contained in this section has been audited or otherwise reviewed by auditors or accounting firms but rather has been derived from financial information available to the Meridiam Member as of March 31, 2016.

Meridiam Infrastructure North America Corp. MNII Fund and its wholly-owned investment subsidiaries are managed and advised by MINA Corp. MINA Corp is a Delaware Corporation registered with the Securities & Exchange Commission, as a Registered Investment Adviser under the Investment Advisers Act of 1940, as amended.

Meridiam SAS. MINA Corp is a wholly-owned subsidiary of MSAS, a Paris-based infrastructure fund manager founded in 2005. MSAS and its subsidiaries currently employ over 50 infrastructure development and financing professionals to manage and advise five P3 infrastructure funds. MSAS has approximately \$3,500,000,000 of assets under management and capital committed as of March 31, 2016. All investments managed by MSAS and its subsidiaries are currently valued using Level 3 inputs which are defined as “prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.” Unobservable inputs are inputs that reflect MSAS’s expectations about the assumptions market participants would use in pricing the asset or liability developed, based on the best information available in the circumstances. Many factors, circumstances and events may affect the estimated fair value of MSAS’s investments, including but not limited to changes in operational and contractual risks and/or the legal and regulatory environment and fluctuations in foreign exchange rates.

Meridiam North America Fund. MNII Fund is made up of four parallel investment vehicles, Meridiam Infrastructure North America Fund II, LP (“MINAF II”), Meridiam Infrastructure North America Fund II AIV, LP (“MINAF II AIV”), Meridiam Infrastructure North America Fund II AIV II, LP (“MINAF II AIV II”) and Meridiam Infrastructure North America Fund II, LP (Domestic) (“MINAF II Domestic”). These four investment entities are providing all of the funding for the Meridiam Member’s investment in the Borrower. MNII Fund, managed by MINA Corp, is an unlisted, close-ended infrastructure fund whose investors are committed to providing capital as required by the MNII Fund Limited Partnership Agreement for project funding, up to their initial commitment. As of March 31, 2016, approximately \$513,000,000 of the capital committed to the fund by investors is uncommitted to projects and available for future investments.

The Meridiam Member. The Meridiam Member is the special purpose vehicle which is a 100% owned subsidiary of MNII Fund. The Meridiam Member’s sole purpose is to make the MNII Fund’s investment into the Borrower.

Below is a chart summarizing MNII Fund’s assets, liabilities and partners’ capital for fiscal years ending December 31, 2013, 2014 and 2015, extracted from MNII Fund’s audited financial statements for those years.

<b>MNII Fund's Balance Sheet (USD)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Assets</b>	<b>\$255,099,068</b>	<b>\$347,298,447</b>	<b>\$335,399,829</b>
Investments	244,406,143	244,472,497	315,410,749
Other Assets	10,692,925	102,825,950	19,989,080
<b>Liabilities</b>	<b>\$16,977,791</b>	<b>\$44,389,772</b>	<b>\$51,208,183</b>
<b>Partners' Capital*</b>	<b>\$238,121,277</b>	<b>\$302,908,675</b>	<b>\$284,191,646</b>

\* Partners' Capital represents the net asset value of assets under management

### ***Skanska ID LGP, LLC***

The Skanska Member is a wholly-owned subsidiary of Skanska Infrastructure Development, Inc. ("Skanska ID"), which is a wholly owned subsidiary of Skanska, Inc., a Delaware corporation, and indirectly owned by Skanska AB, and together with its subsidiaries and affiliates (collectively, the "Skanska Group"), one of the world's ten largest construction and development companies. See "PART 6 – PROJECT PARTICIPANTS – The Design-Builder Guarantors." Skanska ID is also an affiliate of both Skanska USA Building Inc. and Skanska USA Civil Northeast Inc., two of the joint venture members of the Design-Builder. See "PART 6 – PROJECT PARTICIPANTS – The Design-Builder" and "PART 23 – CERTAIN RELATIONSHIPS."

Skanska ID, a member of the Skanska Group, is a world leader in the development of sustainable, innovative and high-quality P3 projects, and is active in markets where the Skanska Group has construction business units. Skanska ID provides capital investment and ongoing operational management to infrastructure projects. In partnership with Skanska Group construction business units, Skanska ID has successfully invested in more than 30 P3 projects. In 2012 and 2014, Skanska ID successfully reached financial close on the Elizabeth River Tunnels Project in Virginia and the I-4 Ultimate Project in Florida, both landmark transactions in the U.S. P3 market.

The Skanska Member's equity contribution in the Borrower will be sourced from the balance sheet of Skanska AB. This investment complements the Skanska Group's best in class construction rankings. (Engineering News Record ("ENR") 2015 #8 top contracts, and #4 top contractor and #1 transportation contractor in the NY region). As of year-end 2015, Skanska AB has approximately \$1,400,000,000 in cash on its balance sheet, and has access to over \$600,000,000 of undrawn corporate facilities.

### ***Potential MWBE Investors***

Following the Issuance Date, the Equity Members may on a pro rata basis make available direct or indirect equity ownership interests in the Borrower, anticipated as of the Issuance Date to be in an amount up to an aggregate of 5% of total ownership interests, to eligible minority- and/or women-owned business enterprises ("MWBEs") on terms satisfactory to the Equity Members and the purchasers of such interests. Potential purchasers must (i) be certified MWBEs with either the Port Authority or the Empire State Development Corporation (or be in the process of becoming certified), (ii) be "accredited investors" as defined in Rule 501 of Regulation D of the Securities Act of 1933, (iii) be authorized to do business in the States of New York or New Jersey, and (iv) meet certain other eligibility criteria established by the Borrower. Any such transactions must also be compliant with the Lease Agreement, the Financing Documents, and applicable securities laws, and have no material impact on the Borrower's governance structure or its Equity Members' financial obligations.

## **The Design-Builder**

The Borrower has contracted with the Design-Builder to design and construct the Construction Project. The Design-Builder consists of a fully integrated joint venture between Skanska USA Building Inc. (35%), Skanska USA Civil Northeast Inc. (35%) (together, “Skanska DB”), and Walsh Construction Company II, LLC (“Walsh”) (30%), and its payment and performance obligations are guaranteed in their entirety by each of Skanska AB and The Walsh Group, Ltd. (see “– The Design-Builder Guarantors” below). With Skanska DB acting as the lead partner, the Design-Builder will develop and implement a complete design-build solution for the Construction Project.

The Design-Builder team members have extensive experience in the construction of complex and large infrastructure projects. The parties to the Design-Builder team are each major construction firms in their own right with extensive experience in large civil projects, not just across the United States but in the New York City area specifically. Each of the members has successfully delivered significant aviation projects, and certain members have experience working with the Port Authority, most recently on projects related to the World Trade Center and the John F. Kennedy International Airport AirTrain. Each brings to the Terminal B redevelopment project extensive experience in the delivery of aviation facilities, coupled with world-class construction experience and a strong familiarity with the design and construction requirements associated with LEED<sup>®</sup> certified buildings.

Skanska DB has extensive experience in the successful delivery of challenging, fast-tracked transportation projects. Skanska DB is ranked third largest general building/manufacturing contractor by revenue (ENR) and is also third largest heavy contractor by revenue (ENR) in the United States, where Skanska DB had revenues of \$7,100,000,000 in 2015, has a bonding capacity of \$7,500,000,000, employs over 10,700 people and has more than 50,000,000 man-hours in place annually. Skanska DB has successfully completed projects including John F. Kennedy International Airport Light Rail (\$1,200,000,000), World Trade Center Transportation Hub (\$1,100,000,000), Logan International Airport Terminal A Redevelopment (\$384,000,000) and Norfolk, Virginia Elizabeth River Tunnel P3 (\$1,500,000,000).

Walsh is a fourth generation family-owned contractor based in Chicago, operating across the US and internationally. Walsh and its related entities (“Walsh Group”) have annual revenues exceeding \$4,500,000,000. In addition to being ranked one of the top 15 national contractors by Engineering News-Record, Walsh Group is also the nation’s largest bridge builder, second largest domestic heavy contractor and third largest aviation contractor. Walsh Group has invested over \$450,000,000 in capital equipment and regularly employs over 8,000 engineers and skilled tradespeople. Walsh Group has successfully completed projects including LAX Tom Bradley International Terminal (\$1,200,000,000), SMF Terminal B Modernization (\$410,000,000), RDU Terminal C Renovation (\$412,000,000) and Ohio River Bridge East End Crossing (\$980,000,000).

The Design-Builder has teamed up with a design team consisting of WSP/Parsons Brinckerhoff (“WSP/PB”) and HOK Architects (“HOK”). With WSP/PB acting as the lead partner, the design team will provide multi-disciplinary design services to the Design-Builder. Both members of the design team have a significant presence in the United States and extensive experience in signature aviation projects.

## **The Design-Builder Guarantors**

Skanska AB and The Walsh Group, Ltd. (collectively, the “Design-Builder Guarantors”) will each provide a separate guaranty in favor of the Borrower, each of which will guarantee all of the Design-Builder’s obligations to the Borrower under the Design-Build Contract. The obligations of Skanska AB

and The Walsh Group, Ltd. under their respective guarantees are joint and several, and the Borrower may pursue remedies under either or both guarantees.

The Skanska Group is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, other European countries and North America.

The Skanska Group, comprised of 43,000 employees, provided several signs of strength during 2015: earnings per share increased by 20 percent to SEK (Swedish krona) 11.96; cash flow from operations more than doubled to SEK 7.7 billion; and the year concluded with a net cash position of SEK 6.3 billion. Revenue according to segment reporting increased by 7 percent to SEK 154.9 billion. Detailed financial information about Skanska AB is publicly available on the Skanska AB website at <http://group.skanska.com/Investors/> (this inactive textual reference to Skanska AB's website is not a hyperlink, and the Skanska Group's website is not incorporated herein). Annual Reports for 2015 and previous years are available on the website. Each of the reports should be read in its entirety including the disclaimers and descriptions of applicable accounting standards set forth therein. Any representations of the Skanska Group or its affiliates are limited to those included in such reports as of the dates of such reports.

The Walsh Group, Ltd. is a privately held company and, therefore, no summary financial data for The Walsh Group, Ltd. is provided.

### **The Manager**

The Borrower will enter into the Management Services Agreement with the Manager, under which the Manager will provide the Borrower with certain services and support in connection with the Borrower's responsibilities to perform the Operations and Maintenance Work under the Lease Agreement.

The Manager is a wholly-owned subsidiary established by Vantage to serve as the Manager for the Terminal B Facilities. The Manager will leverage Vantage's experience as a world-class operator to deliver best-in-class performance during all operational periods. The Manager will second to the Borrower certain key executive and management personnel drawn from the Vantage network, all of whom will be based on-site at the Terminal B Facilities. The Terminal B redevelopment project will benefit from Vantage's unparalleled experience in running airports in vastly different environments, the transition of 19 airports to private operation, and the delivery of \$2,500,000,000 in capital improvements over the past 21 years.

### **The Manager Guarantor**

Vantage will provide a guaranty in favor of the Borrower, which will guarantee all of the Manager's obligations to the Borrower under the Management Services Agreement. Vantage is a privately held company and, therefore, no summary financial data for Vantage is provided.

## **PART 7 – THE CONSTRUCTION PROJECT**

### **Overview**

The existing Terminal B (also referred to as the "Existing Terminal B Facilities" under the Lease Agreement) consists of a four-story central building, two three-story wings and four concourses ("Pier A," "Pier B," "Pier C," and "Pier D"), The existing Terminal B faces a wide variety of challenges to both

airside and landside operations, as the facilities have become outdated and inefficient based on current passenger and industry standards, are past their useful life, and are undersized for current and projected passenger demand. The existing Terminal B parking garage is also approaching the end of its useful life. Further, the existing Terminal B's frontage roads do not meet industry design standards and are overly congested during peak periods. In addition, the existing Terminal B's airside ramp configuration constrains aircraft movement, thereby resulting in delays, higher costs and inefficiencies for airline users.

Terminal B itself suffers from severe spatial constraints given that it already exceeds its original design capacity of eight million annual passengers. The terminal layout was designed prior to current standards for passenger and baggage screening, creating inefficiencies in these processes and requiring each of the four concourses to have separate TSA security checkpoints. These spatial constraints and processing inefficiencies prevent airlines from using more modern, fuel efficient and environmentally-friendly aircraft. The operational deficiencies in the existing Terminal B facility include, but are not limited to, insufficient hold room capacity, limitations on circulation, and outdated concessions offerings and amenities. Finally, Terminal B is disconnected from adjacent Terminals C and D.

In recognition of the limitations and challenges facing the existing Terminal B, in 2011, the Port Authority embarked on the Redevelopment Program resulting in, among other things, the issuance by the Port Authority on August 28, 2013 of the RFP with respect to the redevelopment and operation of Terminal B and the selection of the Borrower as the "Preferred Proposer" under the RFP on May 28, 2015.

An Airport Advisory Panel (the "Advisory Panel") was also created in January 2015 to advise the Governor of New York and the Port Authority on the modernization of the Airport. Among the Advisory Panel's recommendations for a modernized and revitalized 21st Century Airport was the development of an overarching vision to unify the Airport's current disparate central area terminals through the creation of the Central Hall, which will provide a single, unified, architectural link among Terminal B, Terminal C and Terminal D, and may accommodate the future development of one or more of the following elements: an automated people mover and/or moving walkway between the Terminals, an AirTrain station, conference and meeting room capacity, and a potential hotel. The scope of the Construction Project (as described below) was subsequently expanded to include the Central Hall. The New Terminal B will reflect an alternative concept design submitted by the Borrower as part of the RFP process. This alternative concept design addresses the existing Terminal B's various inefficiencies and was developed to meet current and future passenger expectations. In particular, this design, when combined with the work being conducted at that Airport as part of the Redevelopment Program and under the oversight of the Advisory Panel, is expected to result in a modernized, more efficient Airport by providing expanded parking facilities, a redesigned frontage road system, an airside ramp layout that facilitates more efficient aircraft circulation and movement, and a New Terminal B with gates that allow for flexibility to accommodate aircraft of different sizes, new passenger amenities and concessions, and increased passenger processing capacity utilizing a single security checkpoint and common use facilities.

### **Design and Construction Obligations**

Under the Lease Agreement, the Borrower will be responsible for the design and construction of the Construction Project, which consists of, among other things, design and construction of the New Facilities, the New Improvements and the Central Hall. Each of these components of the Construction Project is described in further detail below. The Construction Project will be completed in phases, as more particularly described under "–Design and Construction Obligations – Phasing of the Construction Project" below. A conceptual image of the completed New Terminal B Construction Project is set forth immediately following the cover page of this Official Statement.



### ***Elements of the Construction Project***

Pursuant to the Lease Agreement, the “Construction Project” includes all of the following, as the same may be described in more detail in the Requirements and Provisions for Work:

- the decommissioning and demolition of the Existing Terminal B Facilities;
- the demolition of P2 Garage, Hangar 1 and frontage roads associated therewith and with the Existing Terminal B Facilities;
- the decommissioning and demolition of the Central Electrical Substation;
- the design, construction and demolition of temporary facilities to support passenger services during construction of the New Facilities;
- the decommissioning and demolition of the existing central heating and refrigeration plant serving the Airport (the “Existing CHRP”);
- the demolition and removal of the below grade vaults and above grade masonry walls of the National Grid Gate and Governor Station following National Grid’s decommissioning thereof;
- the design and construction of the following (collectively, the “New Facilities”): (i) the New Terminal B Facilities replacing the Existing Terminal B Facilities; (ii) the elevated and at-grade pedestrian walkway connection between the New Terminal B Facilities and the new West Garage; (iii) the new central heating and refrigeration plant (the “New CHRP”); (iv) the new consolidated receiving and warehouse distribution facility (the “CRWD”); and (v) such portion of the hydrant aircraft fueling infrastructure that will be located within the contiguous aircraft ramp areas included in the New Terminal B Facilities;
- the design and construction of the Central Hall; and
- the “New Improvements,” which include the following: (i) the fit-out of Building 30 and relocation of Port Authority staff from the Existing Terminal B Facilities to Building 30; (ii) the design and construction of improvements to the public airport roads and utilities associated with such roadway improvements; (iii) the design and construction of replacement Utilities and new Utilities serving the Existing Facilities and, when constructed, the Existing Facilities and the New Facilities; (iv) the design and construction of a new West Garage and associated toll plaza serving the New Terminal B Facilities (the “West Garage”); and (v) airfield modifications between the New Terminal B Facilities contiguous aircraft ramp and apron area and the adjacent taxiways.

### ***Phasing of the Construction Project***

The Borrower’s alternative design concept provides for discrete, functional components of the Construction Project to be completed sequentially, followed by the decommissioning and demolition of corresponding components of the existing Terminal B Facilities. The New Terminal B Facilities will include a new terminal headhouse that connects via pedestrian bridges to new satellite Concourses A and B. Each concourse will be constructed in two phases. This phasing will minimize disruption of current Airport operations and allow Substantial Completion to occur earlier than would otherwise be possible. Construction of the New Terminal B Facilities will be undertaken in such phases in order to meet certain

milestones (each, a “New Facilities Construction Milestone”) prior to Substantial Completion. The Lease Agreement requires the New Facilities Construction Milestones to be completed by the applicable Guaranteed New Facilities Construction Milestone Completion Dates set forth below (as such dates may be adjusted pursuant to the Lease Agreement) and include the following:

<b><u>Milestone</u></b>	<b><u>New Facilities Construction Milestone</u></b>	<b><u>Guaranteed New Facilities Construction Milestone Completion Date</u></b>
1	Partial Completion of Concourse B1	May 30, 2018
2	Partial Completion of Concourse B2	August 30, 2018
3	Partial Completion of the Headhouse	January 6, 2020
4	Partial Completion of Concourse A1	July 30, 2020
5	Partial Completion of Concourse A2	December 10, 2021

As described further below, each milestone represents the opening of a different phase of the Construction Project, beginning with Concourse B1, followed by Concourse B2, continuing with the headhouse, then Concourse A1 and concluding with Concourse A2. During 2018, the West Garage and all of Concourse B are scheduled to be opened to the public. In early 2020, the headhouse for the New Terminal B is scheduled to be opened to the public, approximately 44 months after Lease Agreement commencement. The first component of Concourse A is scheduled to be opened to the public later in 2020, to be followed by the second component of Concourse A after its scheduled completion at the end of 2021 (at which time construction of the New Terminal B will be complete). Substantial Completion is scheduled to occur on or before July 8, 2022 (as the same may be adjusted pursuant to the Lease Agreement, the “Guaranteed Substantial Completion Date”), and Final Acceptance of the entire Construction Project (including the Central Hall) is scheduled to occur on or before November 5, 2022 (as the same may be adjusted pursuant to the Lease Agreement, the “Guaranteed Final Acceptance Date”). See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project.”

The West Garage, part of the New Improvements, is scheduled to be completed in January 2018, in advance of completion of the first milestone. Partial Completion of Concourse B1 will allow eleven new gates to be opened for passenger use. Passengers will access Concourse B1 via a temporary pedestrian bridge connected to the existing Terminal B headhouse.

Work with respect to the second milestone will begin with the demolition of the existing Terminal B’s Piers A and B and the surrounding apron. Upon Partial Completion of Concourse B2, the full Concourse B will be complete, but passengers will continue to access Concourse B via a temporary pedestrian bridge from the existing Terminal B headhouse. The schedule calls for five new gates to be opened for passenger use upon completion of both this milestone and associated aircraft apron work thereafter. Demolition of the Existing CHRP will also start during this phase, as the New CHRP is completed.

Work with respect to the third milestone is scheduled to begin prior to completion of the first milestone and will continue thereafter until completion of the headhouse and the permanent Concourse B pedestrian bridge. Prior to completion of the third milestone but after the exterior work on the pedestrian walkway is completed, the Aircraft Operations Area fence will be relocated, allowing for the addition of

one new gate on Concourse B. The headhouse for the New Terminal B is scheduled to be opened to the public approximately 44 months after Lease Agreement commencement. Completion of this third milestone will include the opening, concurrent with the headhouse, of frontage roadways at levels one and three.

Work with respect to the fourth milestone will begin with the demolition of Hangar 1 and the eastern portion of the existing Terminal B headhouse (but not Piers C and D) and end with the completion of Concourse A1. Passengers will access Concourse A1 via a temporary pedestrian bridge from the existing headhouse. Partial Completion of this milestone is expected to enable the Borrower to open for passenger use seven new gates on Concourse A1 and one new gate on Concourse B.

Work with respect to the fifth milestone will start with the demolition of Pier C of the existing Terminal B and associated apron. During this period, the permanent Concourse A pedestrian bridge and the taxilanes in front of the headhouse will be completed. Once Pier C is demolished, construction will begin on the remainder of Concourse A and the adjacent apron. At the completion of this milestone, Concourses A and B will be nearly complete and building systems will be operational. The entire roadway network is also scheduled to be completed prior to achievement of this milestone. The New Terminal B Facilities are scheduled to include fourteen gates on Concourse A and nineteen gates on Concourse B at this stage.

Following Partial Completion of each of the above-described New Facilities Construction Milestones, the Construction Work remaining in order to achieve Substantial Completion will include (i) the demolition of Pier D and the surrounding apron of the existing Terminal B, (ii) the relocation of one bridge from Concourse B to Concourse A and (iii) finalization of the remainder of the new apron and taxilane on the west side of Concourse A. Following Substantial Completion, a total of thirty-five gates (seventeen in Concourse A and eighteen in Concourse B) are scheduled to be available for passengers.

Construction Work with respect to the various New Improvements will be coordinated with the Construction Work and phasing described above. In some instances, elements of the New Improvements may need to be completed in order to meet a particular New Facilities Construction Milestone; however, the Lease Agreement does not require Substantial Completion of the totality of the New Improvements until the Guaranteed Substantial Completion Date.

Construction of the Central Hall is expected to take place concurrently with the Construction Work with respect to the New Improvements and the New Facilities. The Central Hall is scheduled to be completed prior to Substantial Completion of the New Improvements and the New Facilities but the Lease Agreement does not require Substantial Completion of the Central Hall to occur until the Guaranteed Final Acceptance Date.

### **Advance Work Under the PNTP Agreement**

Following the appointment of the Borrower as the Preferred Proposer, the Port Authority entered into an agreement with the Borrower for preliminary Design Work and Construction Work with respect to the Construction Project (including the Central Hall) through a Preliminary Notice to Proceed Agreement (as amended, the “PNTP Agreement”), and the Borrower and the Design-Builder entered into a related PNTP Design-Build Contract (as amended, the “PNTP DB Contract”), each dated July 15, 2015. Pursuant to the PNTP Agreement, the Borrower and the Design-Builder (by and on behalf of the Borrower pursuant to the PNTP DB Contract) are expected to complete PNTP Work totaling approximately \$177,000,000 during the period prior to execution of the Lease Agreement, which work is being funded by the Port Authority during such period. Pursuant to the PNTP Agreement, the Borrower is conducting Design Work (including code compliance work) and limited Construction Work related to

the New Improvements and Design Work related to the Central Hall and the New Facilities. The Borrower and the Port Authority entered into the PNTP Agreement to facilitate timely delivery of the Construction Project by advancing certain early work prior to execution of the Lease Agreement.

### **Related LaGuardia Airport Terminal Projects**

The Port Authority's Redevelopment Program consists of two separate, but related elements: (i) the Construction Project and (ii) a capital infrastructure program, which includes the design, construction, and operation and maintenance of certain supporting facilities at the Airport. These supporting facilities, which are required to service immediate and long-term infrastructure needs at the Airport, include (but are not limited to) the demolition of Hangars 2 and 4, the design and construction of a new East End Substation serving the New Terminal B Facilities and East End Terminals, the design and construction of a new East Garage and the design and construction of certain electrical and communication Utility trunk lines (collectively, the "Supporting Projects"). The Supporting Projects, most of which have been completed or are nearly complete, are required to be completed in order to allow the scheduled performance of the Construction Project.

Additionally, as part of the Advisory Panel's recommendations to create an overarching vision to unify the current disparate central area terminals into a single, unified, architecturally consistent façade, Delta Air Lines (as the current lessee of Terminals C and D) has initiated preliminary planning and design activities to explore the redevelopment of Terminals C and D at the Airport (the "Other Redevelopments"). Although the primary rights and obligations as between the Port Authority and the Borrower will be governed by the Lease Agreement, as further described herein, the Borrower expects to enter into an interface agreement with the Port Authority and Delta Air Lines relating to the construction and redevelopment activities at the Airport, pursuant to which the parties would be obligated to coordinate and cooperate with each other with respect to the Construction Project, the Other Redevelopments, the Supporting Projects and any other activities or other activities at the Airport authorized by the Port Authority.

## **PART 8 – THE LEASE AGREEMENT**

The following is a summary of selected provisions of the Lease Agreement and is not a full statement of the terms and conditions of such agreement. Accordingly, the following summary is qualified in its entirety by reference to the Lease Agreement and is subject to the full text of such agreement. Defined terms used but not defined herein shall have the meaning specified for such term in the Lease Agreement.

On or prior to the Issuance Date, the Port Authority, as lessor, and the Borrower, as lessee, will enter into the Lease Agreement.

### **Principal Rights and Responsibilities of the Parties**

Pursuant to the Lease Agreement, the Port Authority will lease the Premises to the Borrower, and the Borrower will be obligated, among other things, to: (i) assume the operation of the Existing Terminal B Facilities, (ii) undertake the Construction Project, including construction of the New Terminal B Facilities, the Central Hall, certain other New Facilities, and certain New Improvements, all as more further described herein; (iii) finance certain elements of the Construction Project, as further described herein, and (iv) operate and maintain the New Terminal B Facilities and the Central Hall. In addition, the Port Authority will assign or otherwise transfer to the Borrower the Assigned Terminal B Facilities Agreements.

### ***Use of Premises***

The Lease Agreement generally entitles the Borrower to use and operate the Terminal B Facilities as an airline passenger terminal. Specifically, the Lease Agreement entitles the Borrower to grant airlines and other aeronautical users, retail concession operators and others the right to use space in the Terminal B Facilities, consistent with its operation as an airline passenger terminal, in exchange for rentals, fees or other charges payable directly to the Borrower. The Borrower is required to submit for the Port Authority's approval prior to the commencement date of the Lease Agreement, and to update with any changes not less than annually, both a comprehensive terminal plan and a comprehensive concessions plan. The comprehensive terminal plan is required to identify the principles and methodologies of the Borrower's airline rates and charges structure and outline other matters relating to the aeronautical users of the Terminal B Facilities. The comprehensive concessions plan is required to define the Borrower's retail concessions program, including the types and designated locations of retail concessions throughout the Terminal B Facilities, rental structures, and similar matters. Each comprehensive terminal plan or comprehensive concessions plan remains in effect until its successor plan is approved.

Subject to the general requirements of the comprehensive terminal plan and the comprehensive concessions plan, as then in effect, the Borrower is entitled to set the levels of all rates and charges for the use of the Terminal B Facilities, except for certain specific uses (which include, but are not limited to, advertising displays, pay telephones, vending machines in public areas, ground transportation reservations and on-Airport baggage carts) that are reserved for control of the Port Authority.

### ***Design and Construction of the Construction Project***

The Borrower will be responsible for all D&C Work in accordance with the Lease Agreement. The Borrower will enter into a Design-Build Contract, under which the Design-Builder is obligated to fulfill the Borrower's obligations under the Lease Agreement to design and construct the Construction Project, except as expressly excluded in the Design-Build Contract. See "PART 7 – THE CONSTRUCTION PROJECT," APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT."

The Guaranteed Substantial Completion Date under the Lease Agreement for Substantial Completion of the Construction Project (excluding the Central Hall) is July 8, 2022, as such date may be extended as expressly permitted under the Lease Agreement (the "Guaranteed Substantial Completion Date"). The Long Stop Deadline under the Lease Agreement is the date that is 365 days after the Guaranteed Substantial Completion Date, as such date may be extended as expressly permitted under the Lease Agreement (the "Long Stop Deadline"). If Substantial Completion of the Construction Project (excluding the Central Hall) does not occur by the Long Stop Deadline, as it may be extended, the Port Authority may terminate the Lease Agreement without any cure right of the Borrower but subject to the rights of a Recognized Mortgagee. The Guaranteed Final Acceptance Date under the Lease Agreement for Final Acceptance of the entire Construction Project is the later of November 5, 2022, as such date may be extended as expressly permitted under the Lease Agreement, and the date that is three months after the Substantial Completion Date (the "Guaranteed Final Acceptance Date").

### ***Operation and Maintenance of the Terminal B Facilities and Central Hall***

Throughout the term of the Lease Agreement, the Borrower is obligated to operate, manage, administer and maintain the Terminal B Facilities in accordance with best management practice, the Lease Agreement, the Requirements and Provisions for Work, the other Project Documents, Applicable Laws, Applicable Standards and governmental approvals. The Borrower and the Port Authority will

cooperate in connection with the transition of operation and maintenance of the Existing Facilities from the Port Authority to the Borrower. Prior to any termination of the Lease Agreement solely with respect to the Central Hall, the Borrower is also obligated to operate, manage, administer and maintain the Central Hall in accordance with the budget, renewal work plan and the terms and conditions of the Lease Agreement with respect to the Central Hall, as well as in compliance with best management practice, the Requirements and Provisions for Work, the other Project Documents, Applicable Laws, Applicable Standards and governmental approvals. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Operations and Maintenance of the Terminal B Facilities” and “– Central Hall – Operation and Maintenance of the Central Hall.”

#### ***Payments by the Borrower***

The Borrower will make certain payments to the Port Authority including, but not limited to the following: (i) Base Rent, (ii) First Additional Rent, (iii) Second Additional Rent, (iv) an amount equal to \$3,000,000 per calendar year during the construction period for oversight services by the Port Authority and (v) compensation for the provision of the technical services provided by any Port Authority employee in connection with the transition of operations, in an amount equal to the Port Authority’s documented cost thereof, as agreed in advance by the Borrower and the Port Authority. The Borrower is prohibited from paying any rent or any other sums required to be paid under the Lease Agreement more than one month in advance of the due date thereof (excluding required deposits).

#### ***Port Authority Funding for the New Facilities and the Demolition Facilities***

The Port Authority will pay up to \$1,000,000,000 for PFC Eligible Project Costs incurred in connection with the performance of D&C Work for the New Facilities and the Demolition Facilities, in accordance with the PFC Funding Plan. The Borrower will coordinate and cooperate with the Port Authority and (at the request of the Port Authority) the FAA, in the preparation, submission and processing of any PFC Application to the FAA for approval of PFCs to pay such PFC Eligible Project Costs, and shall provide such further information or data required by the Port Authority or the FAA and be available as and when needed, to process, renew, amend, supplement or otherwise modify any such PFC Application. If the Borrower has fully complied with its obligations under the Lease Agreement and the disbursement procedures set forth in the Lease Agreement, the Port Authority will make periodic payments for PFC Eligible Project Costs upon the submission of requisitions by the Borrower and approval by the Port Authority from PFCs or other sources available to the Port Authority, regardless of whether the Port Authority has actually received approval from the FAA with respect to the applicable PFC Application. Funding for this purpose will be deposited by the Port Authority directly into a PAF Account established under the Collateral Agency Agreement.

The disbursement of Port Authority Funding for PFC Eligible Project Costs incurred in connection with the performance of D&C Work for the Demolition Facilities and the New Facilities will be subject to achievement of mutually agreed milestones on semi-annual testing dates. If the Borrower fails to achieve such milestones on two semi-annual testing dates, the disbursement of further Port Authority Funding may be subject to holdback in accordance with the terms of the Lease Agreement. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Port Authority Funding – Port Authority Funding for New Facilities and the Demolition Facilities.”

#### ***Port Authority Funding for New Improvements and Central Hall***

The Port Authority will make milestone payments to the Borrower for the costs of the D&C Work with respect to the New Improvements and the Central Hall, each in accordance with the applicable milestone schedule. The Borrower will coordinate and cooperate with the Port Authority and (at the

request of the Port Authority) the FAA, in the preparation, submission and processing of any PFC Application to the FAA for approval of PFCs to make such milestone payments with respect to the New Improvements and the Central Hall, as applicable, and shall provide such further information or data required by the Port Authority or the FAA and be available as and when needed, to process, renew, amend, supplement or otherwise modify any such PFC Application. If the Borrower has fully complied with its obligations under the Lease Agreement and the disbursement procedures set forth in the Lease Agreement, the Port Authority will make periodic milestone payments upon submission of requisitions by the Borrower and approval by the Port Authority, regardless of whether the Port Authority has actually received approval from the FAA with respect to the applicable PFC Application.

### **Port Authority Retained Rights**

The Port Authority has reserved various rights under the Lease Agreement, including, but not limited to, the following rights: (i) upon the failure of the Borrower to perform any obligation under the Lease Agreement within the specified time period, the right (but not the duty nor the obligation) to perform any such obligation of the Borrower (subject to the rights of the Lenders) in addition to all other available remedies, (ii) to conduct oversight, observe the Borrower's performance, provide additional customer-related services to the patrons at the Airport and take any other action that the Port Authority may be entitled or obligated to take under the Lease Agreement or Applicable Law, including the right to increase such oversight if the Borrower fails to perform any of the Work in any material respect, (iii) upon the occurrence and during the continuation of an Event of Default, the right (subject to the Lenders' rights and remedies) to re-enter and regain possession of the Premises, and (iv) various consent and approval rights with respect to, among other things, any proposed alteration of the Project Baseline Schedule by the Borrower that affects the critical path or any scheduled milestone dates, or adversely or materially affects the Port Authority's oversight resources or the work carried out by the Port Authority's contractors, any assignment of the Borrower's interest in the Lease Agreement, any change in control of the Borrower and any Terminal Operator Change in Control. See "PART 16 – RISK FACTORS – Risks Related to the Lease Agreement" and APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT."

### **Compensation Events**

Upon the occurrence of a Compensation Event, the Lease Agreement provides that, subject to compliance with the requirements of the Lease Agreement, the Borrower is entitled to certain compensation from the Port Authority. If the Borrower fails to deliver notice of a Compensation Event within the required period set forth in the Lease Agreement, the Borrower will be deemed to have irrevocably and forever waived and released any claim or right to compensation or other adverse effects on Gross Revenues or on costs, expenses and liabilities attributable to such Compensation Event. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Compensation Events."

The compensation owed to the Borrower ("Borrower Damages") with respect to any Compensation Event will be based on the sum of (i) any adverse Net Cost Impact and (ii) any adverse Net Revenue Impact for each year during the term of the Lease Agreement that there is an impact attributable to such Compensation Event. The Borrower's estimated Net Cost Impact or Net Revenue Impact shall not include any projected impacts to the cost of operations and maintenance, or revenues derived from the operation, of the Central Hall and no Net Revenue Impact shall be deemed to apply to any Compensation Event affecting solely the Central Hall. Borrower Damages will be net of all applicable insurance proceeds payable to the Borrower, its contractors or suppliers associated with the Compensation Event (or that would have been payable but for the failure to comply with the insurance requirements set forth in the Lease Agreement) and will, subject to certain conditions, include all costs of asserting a claim for such

insurance proceeds and any increased insurance premium resulting from such claim. In addition, Borrower Damages will be net of all amounts recovered, or made available to the Borrower or the Port Authority, from any sublessee or other third-party source. If the Borrower and the Port Authority are unable to agree that a Compensation Event claimed by the Borrower has occurred or with the Borrower's entitlement to or amount of Borrower Damages, then either party may terminate negotiations and request that the dispute be resolved in accordance with the dispute resolution procedures set forth in the Lease Agreement.

The payment of any Borrower Damages to the Borrower in respect of any Compensation Event is subject to the prior written approval of the Port Authority's Board of Commissioners if required in accordance with the Port Authority's by-laws, excluding payment required for a final judgment for payment by a court of competent jurisdiction, for which all appeals have expired or been exhausted. Following such approval, the Port Authority will pay Borrower Damages attributable to a prior period in a lump-sum payment within 40 business days after the final determination thereof, unless previously funded by the Borrower or otherwise agreed by the Borrower. If any portion of Borrower Damages is attributable to future costs or time periods, the Port Authority will have the right to pay the Borrower such portion of Borrower Damages in the form of periodic payments, adjustments to Second Additional Rent or lump-sum payments at such other times and, in each case, subject to the terms and conditions specified in the Lease Agreement.

### **Delay Events**

Upon the occurrence of a Delay Event, the Lease Agreement provides that, subject to compliance with the requirements of the Lease Agreement, the Borrower will be excused from whatever performance is directly prevented or delayed by the Delay Event and will be entitled to extension of key construction milestones and/or activities identified on the Project Baseline Schedule, if applicable, based on a time impact analysis set forth in the Lease Agreement. If the Borrower fails to deliver notice of a Delay Event within the required period set forth in the Lease Agreement, the Borrower will be deemed to have irrevocably and forever waived and released any claim or right to extensions or any other relief attributable to such Delay Event. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Delay Events."

Notwithstanding the occurrence of a Delay Event, the Borrower is required to continue its performance and observance of all of its obligations and covenants to the extent that it is reasonably able to do so and to use its Reasonable Efforts, and to cause its contractors and suppliers to use Reasonable Efforts, to minimize the effect and duration of the Delay Event. The occurrence of a Delay Event does not excuse the Borrower from timely payment of monetary obligations pursuant to the Lease Agreement, compliance with Applicable Law, Applicable Standards, the Requirements and Provisions for Work and the other Project Documents, except for temporary inability to comply as a direct result of the Delay Event.

If the Borrower and the Port Authority are unable to agree on the extent of any delay incurred or relief from the Borrower's obligations under the Lease Agreement or the Port Authority disagrees that a Delay Event claimed by the Borrower has occurred (or as to its consequences), then the dispute will be resolved in accordance with the dispute resolution procedures set forth in the Lease Agreement.



## **Termination Rights**

### ***Borrower Event of Default***

The Lease Agreement provides for a number of defaults by the Borrower (each, an “Event of Default”), subject, in certain cases, to cure periods and limitations specified therein. Such Events of Default include, without limitation, (i) any representation or warranty made by the Borrower in the Lease Agreement or in any other Project Document to which the Borrower and the Port Authority are parties or any certificate delivered by the Borrower to the Port Authority pursuant to the Lease Agreement or any such other Project Document is false or misleading in any material respect on the date made and continues without cure for 30 days following the earlier of the date on which the Borrower receives notice thereof from the Port Authority and the Borrower’s actual knowledge thereof (or, subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure), (ii) the Borrower fails to (A) pay when due any Base Rent, First Additional Rent or Second Additional Rent, (B) pay when due any other amounts required to be made to or on behalf of the Port Authority under the Lease Agreement or any Key Contract, Financing Document or interface agreement with Delta Air Lines to which the Borrower and the Port Authority are parties or (C) deposit funds to any reserve or account in the amounts and within the time periods required by the Lease Agreement or any Key Contract, Financing Document or interface agreement with Delta Air Lines to which the Borrower and the Port Authority are parties (provided that any such payment is not subject to a good faith dispute) and such failure shall continue unremedied or unwaived for a period of 20 days following the date on which the Borrower receives notice from the Port Authority to make such payment or deposit any such funds, (iii) the Borrower fails to achieve Substantial Completion of the Construction Project (other than the Central Hall) by the Long Stop Deadline, as such date may be extended pursuant to the Lease Agreement, (iv) the Borrower fails to comply with the requirements of the Lease Agreement regarding insurance, including failure to comply with the requirements relating to the amount, terms or coverage, and such failure continues without cure for a period of 30 days after the earlier of the date on which the Borrower receives notice thereof from the Port Authority and the Borrower’s actual knowledge thereof, (v) the Lease Agreement, the Borrower’s leasehold interest, the Premises or any portion of any of the same is assigned, subleased, transferred, mortgaged or encumbered in contravention of the terms of the Lease Agreement, and such transaction is not in compliance with the terms of the Lease Agreement, or voided ab initio, or any lien or a levy under execution or attachment against all or any material portion of the Premises or the Borrower’s leasehold interest as a result of any lien created, incurred, assumed or suffered to exist by the Borrower or any person claiming through the Borrower, is not discharged or bonded, as applicable, in each case, within 20 days after the earlier of the date on which the Borrower receives notice thereof from the Port Authority and the Borrower’s actual knowledge thereof, (vi) the Borrower fails to comply with the requirements of the Lease Agreement with respect to the City Lease, or the Borrower fails to discharge or cause the discharge of a lien on the Premises as required by the City Lease, if, in each case, such failure continues without cure for a period of 30 days after the earlier of the date on which the Borrower receives notice thereof from the Port Authority and the Borrower’s actual knowledge thereof, or (vii) the Borrower fails to perform or observe (A) any obligation, covenant, agreement, term or condition in the Lease Agreement or any other Project Document to which the Port Authority and the Borrower are parties, including, for the avoidance of doubt, the Requirements and Provisions for Work, and such failure shall continue unremedied or unwaived for a period of 30 days after the date on which the Borrower receives written notice thereof from the Port Authority, or (B) the requirements or directives of a final award in a matter submitted to dispute resolution in accordance with the Lease Agreement and such failure shall continue unremedied or unwaived for a period of 30 days after the receipt by the Borrower of such final award (in each case, subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure (up to a maximum cure period of 180 days)). See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement – Borrower Events of Default.”

If the Port Authority terminates the Lease Agreement due to an Event of Default, all obligations of the Borrower to pay Base Rent and First Additional Rent pursuant to the Lease Agreement will survive such termination and will remain in full force and effect for the full term of the Lease Agreement had the termination not occurred. Additionally, the Borrower will be required to pay damages set forth in the Lease Agreement to the Port Authority in connection with such termination. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement – Survival of Rental Obligations of the Borrower.”

#### ***Early Partial Termination of the Lease Agreement with respect to the Central Hall***

The Lease Agreement provides the Port Authority with the ability to partially terminate the Lease Agreement solely with respect to the Central Hall prior to the expiration or termination of the Lease Agreement: (i) at any time if an Event of Default occurs due to the failure by the Borrower to perform or observe the Operations and Maintenance Work with respect to the Central Hall in accordance with the terms of the Lease Agreement and (ii) at any time on and after the earlier of (A) the seventh anniversary of the issuance of a TCAO for the Central Hall or Central Hall Substantial Completion and (B) after the date of commencement of regularly scheduled operations at the future AirTrain station. The Port Authority must provide the Borrower with at least six months prior written notice before any such partial termination of the Lease Agreement. Upon such partial termination, and to the extent permitted under the Lease Agreement, the Borrower’s rights with respect to the Central Hall will be terminated and the Borrower will retain certain obligations with respect to repairs and defects. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement – Early Partial Termination by the Port Authority.”

#### ***Grounds for Termination by the Borrower***

The Borrower may terminate the Lease Agreement upon the occurrence of certain events or conditions, subject to the applicable cure periods and limitations specified therein. Grounds for termination of the Lease Agreement by the Borrower include: (i) the failure of the Port Authority to make any undisputed payment due to the Borrower under the Lease Agreement when due and such failure shall continue unremedied or unwaived for a period of 45 days after receipt of written notice from the Borrower to make such payment (provided, that any such failure by the Port Authority that was caused by an administrative or processing error shall not constitute grounds for termination of the Lease Agreement by the Borrower); (ii) subject to the limitations set forth in the Lease Agreement, any representation or warranty made by the Port Authority in the Lease Agreement is false or misleading in any material respect as of the commencement date of the Lease Agreement, and such circumstances continue without cure for a period of 30 days following the date the Borrower delivers to the Port Authority written notice thereof (or, subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure); (iii) the Port Authority fails to comply with, perform or observe any obligation, covenant, agreement, term or condition in the Lease Agreement, which failure materially and adversely (A) affects the Borrower’s ability to perform its rights and obligations pursuant to the Lease Agreement, (B) increases costs associated with the Borrower’s performance of the Work or (C) decreases revenues derived from the operation of the Premises, and such failure shall continue unremedied or unwaived for a period of 30 days after the date on which the Port Authority receives notice thereof from the Borrower (subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure (up to a maximum cure period of 180 days)); (iv) the Port Authority takes any action or fails to take any action, in each case, which results in the loss of the Airport Operating Certificate, and the Port Authority has not remedied within 30 days after the date of receipt of notice of such loss from the Borrower or the FAA, or (v) if a levy under execution or attachment has been made against all or any material portion of the Terminal B Facilities or the Borrower’s leasehold interest as a result of any lien created, incurred, assumed or suffered to exist by the Port Authority or any Person claiming through the Port Authority,

which execution or attachment materially adversely affects the Borrower's ability to perform its rights and obligations pursuant to the Lease Agreement, and such execution or attachment has not been vacated, removed or stayed by court order, bonding or otherwise within 60 days after the Port Authority obtains knowledge of such execution or attachment, unless such levy or attachment directly resulted from actions or omissions of the Borrower or any Borrower-Related Entity. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement – Grounds for Termination by the Borrower."

Additionally, the Borrower may terminate the Lease Agreement for certain no-fault grounds for termination of the Lease Agreement, including: (A) the issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law, which injunction or order prohibits or enjoins prosecution of the Work for more than 90 consecutive days; (B) if all airline sublessees are prevented from operating their air transportation system to and from the Airport by reason of their inability to use a substantial part or all of the runways and taxiways for certain periods of time and due to certain events specified in the Lease Agreement; or (C) the Borrower is prevented from performing all or a substantial portion of the D&C Work by reason of its inability to use or access all or a substantial part of the Premises directly due to a Force Majeure Event for a period of longer than 90 consecutive days.

If the Lease Agreement is terminated by the Borrower for any grounds for termination by the Borrower set forth in the Lease Agreement, the Port Authority is required to pay to the Borrower termination compensation, the amount of which will vary depending on the specific grounds for such termination. If such termination is due to the occurrence of any event set forth in clauses (i)-(v) above, the termination amount (the "Port Authority Termination Sum") will be the aggregate of: (i) the greater of (A) the fair-market value of the Borrower's leasehold interest and its rights and obligations pursuant to the Lease Agreement, determined according to the appraisal procedures set forth in the Lease Agreement, and (B) 100% of Borrower Debt then outstanding, plus (ii) reasonable demobilization costs, less (iii) any insurance or condemnation proceeds payable to the Borrower (or that should have been payable to the Borrower but for (A) the insurer's inability to pay, (B) breach by the Borrower of an obligation to take out or maintain insurance pursuant to the Lease Agreement or (C) the invalidity or breach of any insurance policy caused by the Borrower under which such policy proceeds would have been paid) with respect to all or any portion of the Premises as a result of the occurrence of such grounds for termination, less (iv) any account balances available to pay amounts specified in clauses (i) and (ii) above.

If the Lease Agreement is terminated by the Borrower due to the occurrence of any no-fault grounds for termination set forth in clauses (A)-(C), the termination amount (the "Unamortized Costs Termination Sum") will be the aggregate of (i) all equity investment (other than Equity Member Debt) actually contributed to the Borrower and either used to pay Project Costs or kept in a bank account held by or on behalf of the Borrower and constituting account balances, less dividends and other distributions paid to the Equity Members, plus (ii) Equity Member Debt then outstanding (provided, that proceeds of such Equity Member Debt were either used to pay Project Costs or deposited in a bank account held by or on behalf of the Borrower and constitute account balances), less an amount equal to the aggregate of all payments of interest made by the Borrower with respect thereto, plus (iii) 100% of Borrower Debt then outstanding, plus (iv) reasonable demobilization costs, less (v) any account balances available to pay amounts specified in clauses (i)-(iv) above, less (vi) the portion of any lump sum compensation previously paid by the Port Authority to the Borrower in connection with any Compensation Event occurring prior to the Early Termination Date with respect to any Borrower Damages not yet incurred, less (vii) any insurance or condemnation proceeds payable to the Borrower (or that should have been payable to the Borrower but for (A) the insurer's inability to pay or (B) breach by the Borrower of an obligation to take out or maintain insurance pursuant to the Lease Agreement). In lieu of terminating the Lease Agreement and paying the Unamortized Costs Termination Sum, the Port Authority may enter into

good faith negotiations with the Borrower for a period of 90 days to agree upon appropriate equitable adjustments and amendments to the Lease Agreement in order to continue the Lease Agreement in effect. As part of such good faith negotiations, the Port Authority and the Borrower may mutually agree to extend the term of the Lease Agreement or enter into a similar agreement that permits the use and occupancy of the Premises by the Borrower on terms and conditions satisfactory to both parties, taking into account whether such extension would be permitted under the City Lease, and Applicable Law and whether prior approval is required by the Port Authority's Board of Commissioners. If the Port Authority and the Borrower cannot reach agreement on terms to continue the Lease Agreement in effect, the Lease Agreement will terminate and the Port Authority will be obligated to pay to the Borrower the Unamortized Costs Termination Sum.

#### ***Early Termination of City Lease***

Upon any early termination of the City Lease, the Borrower will, at the City of New York's option, either attorn to or enter into a direct lease on identical terms with the City of New York. In the event of an early termination of the City Lease resulting from certain events of default thereunder by the Port Authority (provided that such event of default was not caused by a failure of the Borrower to comply with its obligations under the Lease Agreement) or pursuant to an amendment, restatement, modification or addition to the City Lease, the Lease Agreement will terminate and the Port Authority will be obligated to pay to the Borrower the Port Authority Termination Sum. Such termination payment will not be due and payable if: (i) the Borrower enters into a lease agreement with the City of New York or a successor or permitted assignee of the Port Authority on substantially similar terms as the Lease Agreement or (ii) the Borrower enters into an agreement with the City of New York that either reinstates the Lease Agreement or provides for another lease agreement on substantially similar terms as the Lease Agreement, and in each case, the Borrower has not been prevented from continuously performing the Work on the Premises in accordance with the terms of the Lease Agreement.

#### ***Early Termination Upon Condemnation***

If all or a material portion of the Premises is condemned by the Port Authority through condemnation or the power of eminent domain, the Borrower may terminate the Lease Agreement and the Port Authority must pay to the Borrower the Port Authority Termination Sum, which shall be calculated as if such condemnation had not occurred.

If all or a material portion of the Premises is condemned by a Governmental Entity other than the Port Authority through condemnation or the power of eminent domain, the Borrower may terminate the Lease Agreement. If the Port Authority received payment for damages allocable to the Port Authority's leasehold interest in the Airport from such Governmental Entity, the Port Authority will be obligated to pay to the Borrower a fair and reasonable allocation of such damages received, as determined by the Port Authority, and such allocation will be final and binding on the Borrower.

### **Lenders' Rights And Remedies; Refinancing**

#### ***Leasehold Mortgages***

Except as expressly authorized in the Lease Agreement, the Borrower may not mortgage its interest in the Lease Agreement. The Lease Agreement allows the Borrower to grant a Leasehold Mortgage on its interest in the Lease Agreement to secure the initial Borrower Debt under the Financing Documents as well as subsequent Borrower Debt, subject in each instance to certain terms and conditions.

A Person that holds a Leasehold Mortgage that complies with certain terms and conditions in the Lease Agreement and is an Institutional Lender (including an Institutional Lender acting as Collateral Agent with the customary powers given to collateral agents or trustees in commercial financing transactions) is entitled to the benefits and protections provided to a Recognized Mortgagee pursuant to the Lease Agreement.

The Port Authority shall deliver to the Recognized Mortgagee a copy of each Event of Default Notice given under the Lease Agreement at the same time as and whenever any Event of Default Notice shall have been sent to the Borrower. If the Port Authority elects to terminate the Lease Agreement the Port Authority shall at the same time send to the Recognized Mortgagee a copy of the Port Authority termination notice. The effective time and date of such termination, so long as the Leasehold Mortgage is in effect, shall not be sooner than 90 days after such notice, and shall be subject to the extension and/or stay provided in the Lease Agreement for the benefit of a Recognized Mortgagee.

### ***Recognized Mortgagee's Right to Cure***

The Recognized Mortgagee shall have an additional 30 days in which to cure a monetary Event of Default by the Borrower under the Lease Agreement and an additional 120 days to cure any other Borrower Event of Default (except for a Borrower bankruptcy or similar Event of Default), which 120 day period may be extended under certain circumstances, but subject in all events to certain conditions, including payment of outstanding amounts due to the Port Authority and diligent efforts to cure, including, if necessary, foreclosure of the Leasehold Mortgages within a period of time reasonably acceptable to the Port Authority. If any Recognized Mortgagee is prohibited from curing any Event of Default by any process, stay or injunction issued by any Governmental Entity or pursuant to any bankruptcy or insolvency proceeding involving the Borrower, then the time periods for curing such Event of Default shall be extended for the period of such prohibition.

If the Recognized Mortgagee is acting to cure an Event of Default in accordance with the Lease Agreement then the Port Authority shall not exercise its right to terminate the Lease Agreement by reason of such Event of Default; provided, however, that the Port Authority may exercise any of its other rights and remedies provided for under the Lease Agreement at law or in equity so long as the exercise of such rights does not interfere with the Recognized Mortgagee's rights.

### ***Foreclosure***

The Recognized Mortgagee may exercise its Foreclosure Rights and enforce any security document in any lawful way, subject to certain conditions contained in the Lease Agreement, including, without limitation: (1) the rights of the Borrower under the Lease Agreement may be assigned or transferred only to a Qualified Terminal Operator, (2) the Recognized Mortgagee is not permitted in connection with its enforcement of its lien under the Leasehold Mortgage to do anything that would materially and adversely affect the Premises, the Operations and Maintenance Work or is otherwise inconsistent with, or not permitted by, the Lease Agreement, and (3) such Qualified Terminal Operator (or its designee or nominee) shall pay or cause to be paid to the Port Authority all amounts set forth in a Statement of Estimated Liabilities which are past-due or due and payable in accordance with the provisions of the Lease Agreement.

### ***New Agreement***

If the Lease Agreement is rejected or disaffirmed pursuant to any bankruptcy law or proceeding or other similar law or proceedings affecting creditors' rights generally relating to the Borrower or otherwise, then, subject to certain conditions contained in the Lease Agreement, the Port Authority agrees

to enter into a new lease of the Premises (the “New Agreement”) with the Recognized Mortgagee (or its designee or nominee) and any ancillary documents or agreements as may be necessary or desirable to give full effect to the New Agreement for the remainder of the term of the Lease Agreement upon all of the covenants, agreements, terms, provisions and limitations of the Lease Agreement, effective as of the date of such termination subject to the conditions set forth in the Lease Agreement.

### ***Refinancing Requirements***

The Borrower shall obtain the Port Authority’s prior written consent (not to be unreasonably withheld, conditioned or delayed) to any Refinancing except for certain Refinancings that meet the criteria set forth in the Lease Agreement.

For a more detailed summary of the principal provisions of the Lease Agreement, see APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT.”

## **PART 9 – PLAN OF FINANCE**

### **Overview**

The proceeds from the sale of the Series 2016 Bonds will be loaned to the Borrower pursuant to the Loan Agreements and used (i) to finance a portion of the costs relating to the design and construction of the Construction Project related to the Demolition Facilities and the New Facilities, (ii) to partially fund a capitalized interest account during construction (but subject to withdrawal to pay Project Costs), (iii) to fund the working capital reserve account, and (iv) to pay certain costs of issuance related to the Series 2016 Bonds.

Funding for the Construction Project will be derived from a number of sources, including bond proceeds, Equity Member equity contributions, Port Authority Funding, operating revenues, and interest income. As described further below, (i) the Port Authority will contribute up to \$1,000,000,000 for PFC Eligible Project Costs to be incurred in connection with the performance of D&C Work for the Demolition Facilities and the New Facilities, in accordance with the PFC Funding Plan, and the entire cost of the D&C Work with respect to the New Improvements and the Central Hall as reflected in the Contract Price (i.e., \$1,200,029,373) and (ii) the Equity Members will contribute \$200,000,000, through equity contributions to the Borrower to finance a portion of the costs of the Construction Project related to the Demolition Facilities and the New Facilities.

(Remainder of Page Intentionally Left Blank)

## Sources and Uses of Funds for the Demolition Facilities and Construction of the New Facilities

The sources and uses of funds for the Demolition Facilities and construction of the New Facilities are expected to be as follows:

### Sources and Uses of Funds

#### Sources of Funds

Principal Amount of Series 2016 Bonds.....	\$2,410,380,000
Original Issuance Premium.....	234,254,342
Borrower Equity .....	200,000,000
Port Authority Funding (PFC Eligible Costs).....	1,000,000,000
Reinvested Operating Revenues .....	29,455,969
Interest Earnings During Construction .....	<u>39,787,408</u>
Total Sources <sup>1</sup> .....	<u>\$3,913,877,718</u>

#### Uses of Funds

Fixed Construction Price .....	\$2,788,050,629
Other Capital Costs <sup>2</sup> .....	236,043,722
Borrower Costs Payable at Issuance Date .....	73,387,845
Issuance Costs.....	29,435,181
Construction Period Insurance.....	156,743,304
Contingencies .....	90,000,000
Interest During Construction .....	439,416,011
Debt Service Reserve Amount.....	56,157,433
Other Reserve Amounts.....	<u>44,643,594</u>
Total Uses <sup>1</sup> .....	<u>\$3,913,877,718</u>

<sup>1</sup> Totals may not add due to rounding.

<sup>2</sup> These costs are not included in the Contract Price. They include, approximately: (i) \$65,000,000 for airline fit-outs, (ii) \$60,000,000 personnel, general & administrative and other costs, (iii) \$18,000,000 Port Authority oversight costs, (iv) \$20,000,000 D&C Work not performed by the Design-Builder, (v) \$40,000,000 of other capital costs not required under the D&C Work (airline transition costs, backup power, converted gates and other), (vi) and \$32,000,000 of Equity Letter of Credit fees.

Source: LaGuardia Gateway Partners, LLC.

The Borrower has planned for \$90,000,000 to be available during the construction period to pay for various contingencies that might arise. In the event that some or all of such contingency funds are not spent during the construction period, to the extent any such remaining funds consist of proceeds of the Series 2016A Bonds, such amounts may be used to redeem Series 2016A Bonds as described in “PART 2 – DESCRIPTION OF THE SERIES 2016 BONDS – Redemption of Series 2016 Bonds – Extraordinary Redemptions.” With respect to any other such remaining amounts, the Borrower and the Port Authority have agreed that some or all of such remaining funds may be used for various purposes, which purposes may include redemption of Series 2016 Bonds but may also include other uses, including deposit into the Post-Substantial Completion Revenue Account, in which event some or all of such funds may be distributed as Second Additional Rent to the Port Authority and to the Equity Members of the Borrower, as described in “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT – Flow of Funds Post-Substantial Completion.”

In addition to these contingencies, the Borrower projects excess net revenues from operations during construction of approximately \$50,000,000 (in addition to approximately \$30,000,000 of reinvested operating revenues). Such amounts are expected to be retained in the Pre-Substantial Completion Revenue Account during construction pursuant to “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT – Flow of Funds Pre-Substantial Completion” and are available to be used by the Borrower to cover unexpected changes in operating costs during construction. Accumulated amounts at End of Funding Date may be transferred to the Post-Substantial Completion Revenue Account and may ultimately be distributed to the Equity Members of the Borrower and the Port Authority, as described in “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT – Flow of Funds Post-Substantial Completion.”

**Sources and Uses of Bond Proceeds**

The sources and uses of Proceeds of the Series 2016 Bonds are expected to be as follows:

**Sources and Uses of Funds: The Series 2016 Bonds**

**Sources of Funds**

Principal Amount of Series 2016A Bonds (Tax Exempt) .....	\$2,260,380,000
Original Issuance Premium .....	234,254,342
Principal amount of Series 2016B Bonds (Taxable) .....	<u>150,000,000</u>
Total Sources .....	<u>\$2,644,634,342</u>

**Uses of Funds**

Deposit to Construction Account .....	\$2,209,957,069
Deposit to Capitalized Interest Account.....	387,242,092
Deposit to Working Capital Reserve Account .....	18,000,000
Costs of Issuance <sup>1</sup> .....	<u>29,435,181</u>
Total Uses.....	<u>\$2,644,634,342</u>

<sup>1</sup> Includes Underwriters’ Discount, bond insurance premium, legal fees, Issuer’s fees, rating agency fees, pricing costs, and other fees and expenses.  
Source: LaGuardia Gateway Partners, LLC.

The foregoing table illustrates that proceeds of the Series 2016 Bonds will fund only a portion of the \$3,913,877,718 cost of the Demolition Facilities and the New Facilities (including required reserves), with the balance being funded by a combination of Borrower equity, Port Authority Funding and reinvestment of operating cash flow.

(Remainder of Page Intentionally Left Blank)



**Sources and Uses of Funds for New Improvements and Central Hall**

The sources and uses of funds for the New Improvements and Central Hall are expected to be as follows:

**Estimated Sources and Uses of Funds: New Improvements and the Central Hall**

**Sources of Funds**

Port Authority Funding .....	<u>\$1,200,029,373</u>
------------------------------	------------------------

**Uses of Funds**

Fixed Construction Price for New Improvements.....	\$ 888,978,481
Fixed Construction Price for Central Hall.....	304,621,136
Borrower Oversight Costs.....	<u>6,429,755</u>
Total Uses <sup>1</sup> .....	<u>\$1,200,029,373</u>

<sup>1</sup> Totals may not add due to rounding.  
Source: LaGuardia Gateway Partners, LLC.

**Construction Period Interest and Debt Service Reserve Requirement**

As each New Facilities Construction Milestone, and then Substantial Completion, is achieved, a portion of the operations at the Existing Terminal B Facilities will be shifted to the New Facilities. The Borrower has established, with respect to each New Facilities Construction Milestone, an amount of debt service (and a corresponding Debt Service Reserve Requirement) associated with each such New Facilities Construction Milestone. On the date that is two months after the anticipated transfer of operations from the Existing Terminal B Facilities to the New Terminal B Facilities at each New Facilities Construction Milestone, the Borrower’s projects payment of interest on the portion of the Series 2016 Bonds allocable to that milestone to be treated as an operating cost payable from current revenues, rather than a capital cost payable from capitalized interest. In addition, on each of those same dates, the Borrower will be required to transfer funds from the various Sub-Accounts of the Construction Accounts, or other available funds, to the Debt Service Reserve Account. The amounts of interest and amounts required to be transferred to the Debt Service Reserve Sub-Accounts with respect to each New Facilities Construction Milestone are projected to be as set forth in the chart below. The establishment of the Debt Service Reserve Requirement and the obligation to fund interest amounts as operating costs will occur on the dates set forth below, regardless of whether any New Facilities Construction Milestone or Substantial Completion actually occurs on the dates originally anticipated. Extensions or delays in meeting any New Facilities Construction Milestone or Substantial Completion (even if such extensions or delays are permitted pursuant to the Lease Agreement as a result of a change order, Delay Event, or other permitted reason) will not result in any postponement of the Borrower’s obligation to fund the applicable Debt Service Reserve Sub-Accounts and to pay deposits with respect to interest amounts as described above.

**New Facilities Construction Milestones**

<b><u>New Facilities Construction Milestone</u></b>	<b><u>Interest Amount</u></b>	<b><u>Applicable Debt Service Reserve Requirement</u></b>
	(Interest amounts corresponding to the various milestones are additive. During the construction period, the sum of the aggregate amounts in this table will be the amount of interest to be deposited each month)	(Amounts corresponding to the various milestones are additive. During the construction period, the sum of the aggregate amounts in this table will be the Debt Service Reserve Requirement applicable at such time)
Starting August 1, 2018 (following scheduled Partial Completion of Concourse B1 on May 30, 2018)	2016A Tax-Exempt Bond Interest Payment Sub-Account \$1,077,977  2016B Taxable Bond Interest Payment Sub-Account \$53,978	Series 2016A Bonds \$6,467,861  Series 2016B Bonds \$323,867
Starting April 1, 2019 (following scheduled Partial Completion of Concourse B2 on August 30, 2018 and related apron on January 11, 2019)	2016A Tax-Exempt Bond Interest Payment Sub-Account \$704,857  2016B Taxable Bond Interest Payment Sub-Account \$35,295	Series 2016A Bonds \$4,229,143  Series 2016B Bonds \$211,767
Starting April 1, 2020 (following scheduled Partial Completion of the headhouse on January 6, 2020)	2016A Tax-Exempt Bond Interest Payment Sub-Account \$4,771,124  2016B Taxable Bond Interest Payment Sub-Account \$238,906	Series 2016A Bonds \$28,626,745  Series 2016B Bonds \$1,433,437
Starting October 1, 2020 (following scheduled Partial Completion of Concourse A1 on July 30, 2020)	2016A Tax-Exempt Bond Interest Payment Sub-Account \$682,655  2016B Taxable Bond Interest Payment Sub-Account \$34,183	Series 2016A Bonds \$4,095,929  Series 2016B Bonds \$205,097
Starting March 1, 2022 (following scheduled Partial Completion of Concourse A2 on December 10, 2021)	2016A Tax-Exempt Bond Interest Payment Sub-Account \$1,001,668  2016B Taxable Bond Interest Payment Sub-Account \$50,157	Series 2016A Bonds \$6,010,005  Series 2016B Bonds \$300,941
Starting October 1, 2022 (following scheduled Substantial Completion)	2016A Tax-Exempt Bond Interest Payment Sub-Account \$691,105  2016B Taxable Bond Interest Payment Sub-Account \$17,668	Series 2016A Bonds \$4,146,629  Series 2016B Bonds \$106,010
		<b>Total Series 2016A - \$53,576,312</b> <b>Total Series 2016B - \$2,581,119</b>

## **Member Equity**

### ***Aggregate Capital Commitment***

Pursuant to the Equity Contribution Agreement, the Equity Members will agree to fund (or cause to be funded through their affiliates) their pro rata share (in accordance with their membership interests in the Borrower) of the aggregate \$200,000,000 in equity contributions required by the Lease Agreement to be made to the Borrower by the Substantial Completion Date (collectively, the “Equity Contributions”). Because each Equity Member has an equal membership interest in the Borrower, each of the three Equity Members will be responsible for making equity contributions in the amount of \$66,666,667, or one-third of the total \$200,000,000 obligation. Such amounts will be used to pay Project Costs, which may include (among other things) the payment of: (i) amounts owed to the Design-Builder under the Design-Build Contract with respect to costs related to the New Facilities, (ii) capitalized interest, and (iii) debt service.

The obligations of each Equity Member to make Equity Contributions under the Equity Contribution Agreement are irrevocable, absolute and unconditional.

### ***Payment of Equity Contributions; Acceleration***

Pursuant to the Equity Contribution Agreement, the Equity Members will be required to make Equity Contributions into the Equity Contribution Sub-Account of the Construction Account as and when instructed by the Borrower (or, in certain circumstances, the Collateral Agent). The Borrower will determine when during the construction period to request such Equity Contributions, in order to optimize the use of the various funding sources available to the Borrower.

Upon receipt by the applicable Equity Member of a contribution notice from the Borrower (or, in certain circumstances, the Collateral Agent) requesting payment of a portion of such Equity Contribution, each Equity Member will contribute the requested funds, up to the amount of its total equity commitment. All Equity Contributions will be deemed to be made upon deposit of the applicable funds into the Equity Contribution Sub-Account of the Construction Account. On the Substantial Completion Date, each Equity Member will be required to contribute to the Borrower the portion of such Equity Member’s total equity commitment that has not previously been contributed.

The Collateral Agent shall also request payment of Equity Contributions: (i) in the event that payment under either Loan Agreement has been accelerated pursuant to the terms of the applicable Loan Agreement, in the amount of the portion of such Equity Member’s total equity commitment that has not previously been contributed, and (ii) in the event that the Collateral Agent has been instructed to transfer funds from the Equity Contribution Sub-Account of the Construction Account and there are not sufficient funds in such account to make such transfers as of two business days prior to the applicable transfer date, in the aggregate amount equal to such shortfall.

The Equity Members are not required to contribute equity funds in excess of each Equity Member’s pro rata share of the Equity Contributions, and such obligations are several, not joint and several.

### ***Equity Letters of Credit***

Each Equity Member is also required to provide one or more irrevocable standby letter(s) of credit in an aggregate amount equal to the applicable Equity Member’s total equity commitment (each an “Equity Letter of Credit”). Each Equity Letter of Credit must be issued by a financial institution that (i) has long-term unsecured debt ratings, from at least two rating agencies, of at least “A” from S&P, “A2,” from Moody’s, or “A” by Fitch Ratings Inc. (“Fitch”), and (ii) has an office in New York, New York at

which a letter of credit issued by it can be presented for payment (an “Eligible LC Issuer”). Funds drawn on any Equity Letter of Credit will be deposited in the Equity Contribution Sub-Account of the Construction Account. The reimbursement obligations with respect to the Equity Letters of Credit will not be recourse to the Borrower. Currently, the Skanska Member intends to arrange for the delivery of a letter of credit to be issued by Skandinaviska Enskilda Banken AB (publ), the Meridiam Member intends to arrange for the delivery of a letter of credit to be issued by Citibank N.A., and the Vantage Member intends to arrange for the delivery of a letter of credit to be issued by Canadian Imperial Bank of Commerce.

If an Equity Member fails to perform its contribution obligations under the Equity Contribution Agreement within two business days of the due date for such performance, the Collateral Agent will be required to draw on the applicable Equity Letter of Credit for purposes of satisfying such obligations. If the full amounts of such equity contributions have not been made by the Substantial Completion Date, the Port Authority has the right to direct the Collateral Agent to draw the full undrawn amounts of each Equity Letter of Credit.

If an Equity Letter of Credit expires prior to the Substantial Completion Date, the applicable Equity Member will be required to replace such Equity Letter of Credit at least 30 days prior to the expiration date of the existing Equity Letter of Credit. In addition, if the issuer of any Equity Letter of Credit ceases to satisfy the requirements for an Eligible LC Issuer, the applicable Equity Member will be required to replace such Equity Letter of Credit within 20 business days of receiving written notice to that effect with a new Equity Letter of Credit from an issuer that does satisfy such requirements. If the applicable Equity Member fails to provide a replacement Equity Letter of Credit within the time frames described in each case above, the Collateral Agent shall draw the full undrawn amount of the expiring Equity Letter of Credit.

The Collateral Agent shall also draw on each Equity Letter of Credit, in the full amount thereof, upon receiving written notice from the Borrower or the Port Authority that the Lease Agreement has been terminated by the Port Authority as the result of an Event of Default by the Borrower under the Lease Agreement.

To compensate the Equity Members for providing the Equity Letters of Credit, the Borrower will pay each Equity Member, monthly, an amount equal to, as of the date of calculation, (i) the average outstanding stated aggregate amount of the applicable Equity Member’s Equity Letter of Credit for the relevant month multiplied by 3.00%, (ii) multiplied by the actual number of days in such month, and (iii) divided by 365.

### **Port Authority Funding**

The Lease Agreement will require the Port Authority to provide certain amounts of funding for various portions of the Construction Project.

#### ***Costs of New Facilities and Demolition Facilities***

The Port Authority will be required to pay up to \$1,000,000,000 for PFC Eligible Project Costs incurred in connection with the performance of D&C Work for the Demolition Facilities and the New Facilities, in accordance with the PFC Funding Plan. Such amounts are required to be paid by the Port Authority from PFCs or other sources available to the Port Authority, regardless of whether the Port Authority has actually received approval from the FAA with respect to the applicable PFC Application, subject to compliance by the Borrower with certain requirements set forth under the Lease Agreement. The Port Authority will be required to pay such funds for eligible costs periodically upon submission of requisitions by the Borrower and approval by the Port Authority. Funding for this purpose will be

deposited by the Port Authority directly into a PAF Account established under the Collateral Agency Agreement. Such funds will be available to the Borrower solely to pay for the approved costs. The Borrower expects the PFC Eligible Project Costs to substantially exceed the \$1,000,000,000 limit set forth in the Lease Agreement, and therefore expects to receive the full \$1,000,000,000 of PFC Funding from the Port Authority with respect to D&C Work for the New Facilities and the Demolition Facilities.

***Costs of New Improvements and Central Hall***

The Port Authority will also be required to pay the costs of designing and constructing the New Improvements and the Central Hall. The Port Authority has agreed to pay a fixed price of approximately \$1,200,000,000 (including Borrowers’ oversight costs) for the combined cost of designing and constructing the New Improvements and the Central Hall. The Port Authority will be required to pay such funds periodically upon submission of requisitions by the Borrower and approval by the Port Authority. Funding for this purpose will be deposited by the Port Authority directly into a New Improvements and Central Hall Funding Account established under the Collateral Agency Agreement. Such funds will be available solely to pay for the approved costs.

**Project Components by Responsible Party**

The following chart summarizes the components of the Terminal B redevelopment program and the Operations and Maintenance Work and the responsible parties.

**PROJECT COMPONENTS BY RESPONSIBLE PARTY**

<b><u>Project Component</u></b>	<b><u>Demolition/Design/ Construction</u></b>	<b><u>Operation/ Maintenance</u></b>	<b><u>Funding Sources</u></b>
Demolition Facilities	LGP/Design-Builder	LGP/Manager	Port Authority <sup>1</sup> /LGP <sup>2</sup>
New Facilities	LGP/Design-Builder	LGP/Manager	LGP/Port Authority <sup>2</sup>
Central Hall	LGP/Design-Builder	LGP/Manager <sup>3</sup>	Port Authority <sup>3</sup>
New Improvements	LGP/Design-Builder	Port Authority	Port Authority <sup>3</sup>

<sup>1</sup> The Port Authority will contribute up to \$1,000,000,000 for PFC Eligible Project Costs incurred in connection with the performance of D&C Work with respect to the improvements identified in the PFC Funding Plan.

<sup>2</sup> The Borrower will fund its portion of the costs through (i) the Series 2016 Bonds proceeds, (ii) certain Project Revenues, (iii) its \$200,000,000 equity contribution, and (iv) interest income. The Port Authority will contribute up to \$1,000,000,000 for PFC Eligible Project Costs incurred in connection with the performance of D&C Work with respect to the improvements identified in the PFC Funding Plan.

<sup>3</sup> The Central Hall and the New Improvements are not PFC Eligible Project Costs and will be funded by the Port Authority through milestone payments to the Borrower. The costs of the Central Hall and New Improvements is expected to be approximately \$1,200,000,000. At certain times prior to the expiration or termination of the Lease Agreement, the Port Authority has the right to remove the Central Hall from the facilities leased to the Borrower under the Lease Agreement following the substantial completion thereof at certain times prior to the expiration or termination of the Lease Agreement.

## **PART 10 – THE DESIGN-BUILD CONTRACT**

Concurrent with execution and delivery of the Lease Agreement, the Borrower and the Design-Builder will enter into a Design-Build Contract (the “Design-Build Contract”), pursuant to which substantially all of the Design Work and Construction Work relating to the Construction Project will be undertaken by the Design-Builder, on a lump-sum, fixed price, date certain basis. The Design-Builder is a joint venture among Skanska USA Building Inc., Skanska USA Civil Northeast Inc. and Walsh Construction Company II, LLC. The Design-Builder has subcontracted the Design Work to a joint venture between WSP/Parsons Brinckerhoff and HOK Architects. See “PART 6 – PROJECT PARTICIPANTS – The Design Builder.” See also APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT” for additional information regarding the provisions of the Design-Build Contract.

### **Back-to-Back Obligations**

The Developer and the Design-Builder agree that the Design-Build Contract is, subject to the terms and conditions set forth therein (including, without limitation, such terms and conditions that explicitly impose an obligation on the Borrower and the limitation of the Design-Builder’s liability (see “– Limitation of Liability” in this PART 10)), “back-to-back” with the obligations and liabilities imposed on the Borrower in the Lease Agreement that are related to the D&C Work, and that such obligations and liabilities will be imposed on the Design-Builder under the Design-Build Contract only to the extent of the DB D&C Work. The Design-Builder acknowledges and agrees in the Design-Build Contract that it is familiar with and also will comply with all other obligations and liabilities imposed by the Port Authority under the Lease Agreement that are applicable to the Design-Builder due to its status as the Lead Contractor, a D&C Contractor, a contractor or a party to a Key Contract.

The Design-Build Contract also provides that, insofar as it relates to the DB D&C Work, the Design-Builder will not act or omit to act (and will cause the DB Parties not to act or omit to act) in any manner that would place the Borrower in breach of any of the Borrower’s obligations under the Project Documents (including the Lease Agreement).

### **DB D&C Work**

#### ***Scope of the Work***

The DB D&C Work is defined as (1) the D&C Work and all work related thereto required under the Project Documents, except that any D&C Work relating to matters specifically identified as constituting a Borrower responsibility within the various sub-exhibits to Exhibit A to the Design-Build Contract will not constitute DB D&C Work, and (2) the work set out in such Exhibit A which is specifically included as the responsibility of the Design-Builder and which may be additional to the D&C Work. The Design-Builder has no responsibility to perform any Operations and Maintenance Work.

The Design-Builder is required to perform the DB D&C Work pursuant to the terms and conditions of the Design-Build Contract. In general, the DB D&C Work aligns with the D&C Work required under the Lease Agreement (i.e., the Design Work and the Construction Work that comprises the Construction Project (see “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project” and “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project”)). The DB D&C Work also includes additional elements (under clause (2) of the definition), such as Design-Builder responsibility for more detailed specifications regarding schematics and sense of place elements relating to the Construction Project.

The D&C Work that is excluded from the DB D&C Work (under clause (1) of the definition) as a result of such D&C Work being specifically identified as constituting a Borrower responsibility, is limited in nature and, in the aggregate, is not expected to exceed \$20,000,000 of Design Work and/or Construction Work that will remain the obligation of the Borrower. The D&C Work to be performed by the Borrower pursuant to the detailed technical specifications set forth in Exhibit A of the Design-Build Contract includes, among other things, design of concession tenant spaces (construction of those spaces will be handled by the tenants themselves) and administration and payment of utility consumption charges during construction (including electricity, water and sewer).

For information regarding the Project Baseline Schedule and the various deadlines relating to the DB D&C Work (specifically, the deadlines for Partial Completion of the various New Facilities Construction Milestones, Substantial Completion and Final Acceptance), see “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project.”

### ***Contract Price***

In consideration of the Design-Builder carrying out its obligations under the Design-Build Contract, the Design-Builder will be paid the amount of \$3,981,650,246.59 (as the same may be adjusted pursuant to the Design-Build Contract, the “Contract Price”), which Contract Price includes: (i) certain allowances for particular aspects of the DB D&C Work that are identified in the Design-Build Contract (such as allowances for particular contingent environmental costs, passenger seating and artwork and architectural feature zones for the terminal space), and (ii) the DB D&C Work required to be funded by the Port Authority pursuant to the PNTP DB Contract. (The Contract Price does not include the cost of airline tenant fit-out work to be completed by the Design-Builder as part of the DB D&C Work because the design and scope of that work is yet to be completed. Such airline tenant fit-out work will be financed by the Borrower, subject to reimbursement from the airlines, and the Borrower has allocated a Borrower-maintained allowance of \$65,000,000 to these costs.) Except as expressly set forth in the Design-Build Contract, the Design-Builder will not be entitled to any payment other than the Contract Price for its performance of the DB D&C Work. Adjustments to the Contract Price may occur in connection with change orders or directives, Compensation Events or Developer Acts/Developer Suspensions (each as described below) or if established allowances for particular cost items are exceeded.

Payments by the Borrower to the Design-Builder are expected to be made monthly based on performance of the DB D&C Work set forth on payment and values schedules, subject to the applicable maximum cumulative drawdown schedules with respect to the New Facilities, the New Improvements and the Central Hall, respectively, as set forth on such schedules. In addition, such monthly payments may also include any costs of the Design-Builder that fall under the allowances described above (which are included in the Contract Price but are not subject to drawdown in accordance with the pre-established schedules and are instead to be paid as incurred). The pre-established schedules and the Contract Price also include certain mobilization fees (to be paid by the Borrower) and start-up costs (to be paid by the Port Authority), which will be paid to the Design-Builder at the times and in the amounts specified in the schedules. The Design-Build Contract provides that the Design-Builder and the Borrower may alter the relevant schedules by mutual agreement (subject to Port Authority Approval, if applicable). The foregoing payment obligations are subject to the limitations on the Port Authority’s payment obligations with respect to Port Authority Funding (see “PART 8 – THE LEASE AGREEMENT – Principal Rights and Responsibilities of the Parties,” “– Port Authority Funding for New Facilities and Demolition Facilities,” and “– Port Authority Funding for New Improvements and Central Hall”). See also “– Limited Obligation of the Borrower With Respect to Port Authority Payment Obligations” below. Under certain circumstances, the Borrower may be required to make payments to the Design-Builder in circumstances where the payment schedule for the New Facilities entitles the Design-Builder to payment

but the Port Authority is not required to make such payments pursuant to the Lease Agreement. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Port Authority Funding” and “– Contract Price” and “PART 16 – RISK FACTORS – Risks Related to the Lease Agreement – Port Authority Right to Withhold Certain Port Authority Funding Amounts.”

#### ***Limited Obligation of the Borrower With Respect to Port Authority Payment Obligations***

The Design-Build Contract generally provides that the Borrower is required to remit or cause to be remitted any Port Authority Funding or Lessee Damages amounts that are due and payable to the Design-Builder within five business days of receipt thereof from the Port Authority by the Borrower or the Collateral Agent, as the case may be, but the Borrower is not otherwise responsible for making payments to the Design-Builder pursuant to the payment provisions of the Design-Build Contract with respect to any DB D&C Work or other amounts to be paid for by the Port Authority for the benefit of the Design-Builder pursuant to the Design-Build Contract until such amounts are received by the Borrower or the Collateral Agent from the Port Authority; provided, however, if an aggregate of at least \$25,000,000 of Port Authority Funding or Lessee Damages payments continues to be delinquent from the Port Authority for a period of six months, the Borrower is responsible for making payment to the Design-Builder for such aggregate delinquent amount no later than five business days thereafter, regardless of whether the Borrower or the Collateral Agent has received sufficient funds from the Port Authority by such date. This limitation on the Borrower’s payment obligation relates to Port Authority Funding due and payable from the Port Authority pursuant to the Lease Agreement. This limitation does not apply under the circumstances in which the Borrower is required to make payments to the Design-Builder in circumstances where the payment schedule for the New Facilities entitles the Design-Builder to payment but the Port Authority is not required to make such payments pursuant to the Lease Agreement. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Port Authority Funding” and “– Contract Price” and “PART 16 – RISK FACTORS – Risks Related to the Lease Agreement – Port Authority Right to Withhold Certain Port Authority Funding Amounts.”

#### ***Cooperation***

The Design-Build Contract contemplates that the Borrower and the Design-Builder will work in a diligent and expeditious manner to actively seek to prevent, avoid and mitigate potential impacts to construction schedules, scope of Work and increased costs of construction for the Construction Project and the Supporting Projects, as well as such impacts on the increased costs of Operations and Maintenance Work. The efforts of the Design-Builder and the Borrower thereunder may include, as appropriate, providing prompt updates to one another regarding possible changes to construction progress, seeking acceptable work-arounds to construction activities, identifying new or improved areas of coordination involving construction activities, and considering in good faith any proposed changes to the scope of work for the Construction Project and the Supporting Projects, as the case may be. In addition, each of the parties is required to provide prior written notice to the other party as promptly as reasonably possible after becoming aware that an event or a condition has occurred or is likely to occur that could reasonably be expected to have such impacts, including any such event or condition that could reasonably be expected to become a Compensation Event or a Delay Event (see “– Compensation Events and Delay Events” below).

Further, the Borrower and the Port Authority have agreed in the Lease Agreement to establish a design and construction working group to review on a regular basis the development of the Construction Project and all drawings, specifications, calculations, reports and other relevant documentation prior to the submission of any Submittals to the Port Authority with respect to the D&C Work. The Design-Build Contract requires (1) that the Design-Builder be advised of such meetings concerning matters pertaining to the Design-Builder, the DB D&C Work or the coordination of the DB D&C Work with other



Contractors and the contractors working on the Supporting Projects and of the matters to be addressed at such meetings and (2) if such participation is requested by the Port Authority or the Borrower, the Design-Builder to participate in such meetings or otherwise provide such input as may be necessary or desirable.

## **Change Orders and Directives**

### ***Lessee Changes and other Developer Changes***

Pursuant to the Design-Build Contract, the Borrower has the right to propose Lessee Changes (as such term is used in the Lease Agreement) in accordance with the terms set forth in the Lease Agreement (including changes affecting the DB D&C Work) and any other changes the Borrower wishes to propose under the Design-Build Contract itself (collectively, “Developer Changes”). See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Change Orders and Directives – Developer Changes” for a description of Lessee Changes under the Lease Agreement. If the Borrower wishes to introduce a change to the DB D&C Work that would constitute a Lessee Change under the Lease Agreement, the Design-Builder is required to prepare a change order proposal following the procedure set forth in the Design-Build Contract and, in the case of a Lessee Change, provide the Borrower with any other information required for the Borrower to prepare a Lessee Change Request for submission to the Port Authority pursuant to the Lease Agreement. With respect to either a Lessee Change (prior to review by the Port Authority) or other Developer Change, the Borrower is required to evaluate the Lessee Change Request information provided by the Design-Builder in good faith and either approve or disapprove thereof.

If the Borrower does not approve the Design-Builder’s change order proposal, the Borrower may (subject to the Authority’s prior approval, if applicable, pursuant to the Lease Agreement) either (x) issue a work order to the Design-Builder directing the Design-Builder to proceed with such Lessee Change or other Developer Change (under which circumstances the Borrower is required to compensate the Design-Builder for the costs the Design-Builder incurs to perform such change, plus reasonable overhead and profit on the same, and provide the Design-Builder with any Project Baseline Schedule adjustments, subject to the limitations of the Design-Build Contract, that might be necessary as a result thereof) or (y) withdraw its proposal request for such Lessee Change or other Developer Change and pay the Design-Builder its reasonable costs incurred in the preparation of the change order proposal.

If the Borrower approves the Design-Builder’s change order proposal for a Developer Change, the Borrower is required to issue a work order in accordance with the requirements of the Design-Build Contract. If the Borrower approves the Design-Builder’s change order proposal for a Lessee Change, the Borrower is expected to proceed to submit a corresponding Lessee Change Request to the Port Authority for consideration pursuant to the terms of the Lease Agreement.

### ***Design-Builder Changes***

Pursuant to the Design-Build Contract, the Design-Builder has the right to propose Lessee Changes in accordance with the terms set forth in the Lease Agreement. If the Design-Builder wishes to introduce a change to the DB D&C Work that would constitute a Lessee Change under the Lease Agreement if proposed by the Borrower, the Design-Builder is required to provide a change order proposal to the Borrower following the procedures set forth in the Design-Build Contract and described above under “– Lessee Changes and Other Developer Changes” and, to the extent required to comply with the Lease Agreement, all of the requirements for a Lessee Change Request in accordance with the terms of the Lease Agreement.

In addition, if the Design-Builder wishes to propose any changes to the DB D&C Work that would not constitute a Lessee Change and, therefore, would not require the review or approval of the Port Authority, the Design-Builder is required to submit to the Borrower a written request for such changes, listing all impacts on the Design-Build Contract, including a Contract Price and Project Baseline Schedule impact analysis, and the Borrower is required to approve or reject such request within a reasonable period of time after receipt thereof from the Design-Builder.

The Borrower is required to use Reasonable Efforts to review any such proposal or request and, if applicable, submit any such proposal (if acceptable to the Borrower) to the Port Authority as a Lessee Change Request. The Borrower may reject any such change order proposal or request that (i) may negatively impact costs in respect of the Operations and Maintenance Work, (ii) may impose additional liability on the Borrower, or (iii) is otherwise deemed unacceptable by the Borrower in its reasonable discretion. Notwithstanding the foregoing, the Borrower is not entitled to reject any such change order proposal that is required in order to conform to Applicable Law or Applicable Standards.

The Borrower will be responsible for the payment of amounts associated with any such change proposed by the Design-Builder, if approved by the Borrower, in accordance with the regular payment provisions set forth in the Design-Build Contract and in accordance with the amounts payable at the times set forth in the associated work order; provided, however, that the Design-Builder is not entitled to any adjustment of the Contract Price or the Project Baseline Schedule for any such change proposed by the Design-Builder in order to conform to Applicable Law or Applicable Standards (in which case the Design-Builder's right to reimbursement of such costs and to any adjustments to the Project Baseline Schedule will be limited to Equivalent Project Relief).

#### ***Port Authority Changes and Directive Letters***

The Port Authority has the right to propose Port Authority Changes in accordance with the terms of the Lease Agreement, including those affecting the DB D&C Work under the Design-Build Contract. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Change Orders and Directives – Port Authority Changes and Directive Letters.” The Design-Builder is required to participate with the Borrower in the Borrower's discussions with the Port Authority with respect to any proposed Port Authority Change(s) (including pursuant to the issuance of a Directive Letter by the Port Authority) relating to the DB D&C Work, and to work with the Borrower in the Borrower's efforts to reach agreement with the Port Authority in accordance with the Lease Agreement. Although the Design-Build Contract provides that the Borrower will take the lead in all discussions with the Port Authority relating to such Port Authority Changes, the Borrower is not permitted to agree to the terms of any proposed Port Authority Change unless the Design-Builder also agrees (in its reasonable discretion) to such terms, to the extent such terms are applicable to the DB D&C Work.

If the Port Authority and the Borrower (with the consent of the Design-Builder, to the extent required pursuant to the Lease Agreement) agree on the terms of a proposed Port Authority Change, the Design-Builder's entitlement to additional funds or adjustments to the Project Baseline Schedule (including changes to the Guaranteed New Facilities Construction Milestone Completion Dates, if necessary) will be back-to-back with the rights of the Borrower under the terms of the Lease Agreement.

If the Port Authority and the Borrower are unable to reach an agreement on a proposed Port Authority Change pursuant to the Lease Agreement, the Port Authority has the right, in its sole discretion, to deliver to the Borrower a directive letter directing it to proceed with the implementation of such Port Authority change. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Change Orders and Directives – Port Authority Changes and Directive Letters.” Pursuant to the Design-Build Contract, the Design-Builder is required to implement and perform the work in question to the extent related to the DB D&C Work as directed by the Port Authority in the Directive

Letter. The Borrower will be entitled to claim a Delay Event and a Compensation Event with respect to such Directive Letter in accordance with the terms of the Lease Agreement, and the Design-Builder will also be entitled to submit a claim with respect to such Directive Letter and will be entitled to Equivalent Project Relief pursuant to terms of the Design-Build Contract.

## **Warranty**

The Design-Builder warrants and guarantees (the “Warranty”) to the Borrower as follows: (i) the design of the Construction Project will satisfy the requirements of the Design-Build Contract, the Requirements and Provisions for Work and the other Contract Documents with respect to the DB D&C Work; (ii) all DB D&C Work (except as described in clause (i) above), including materials and equipment furnished as part of the construction, will be (A) complete and conform to Best Management Practice, (B) new (unless otherwise specified herein or in the Requirements and Provisions for Work), of good quality, in conformance with the Applicable Laws, Applicable Standards, the Design-Build Contract, the Requirements and Provisions for Work and the other Contract Documents, and (C) once completed, free of all DB Work Defects in design, materials and workmanship and fit for its intended purpose; and (iii) the Final Design Documents with respect to the DB D&C Work, final Construction Documents and the Record Documents will (1) be accurate and complete, (2) comply with the requirements of the Contract Documents, and (3) accurately reflect the condition of the Construction Project as of Final Acceptance.

The Warranty with respect to the portion of the Construction Project (other than the Central Hall) that is completed after the New Facilities Construction Milestones reach Partial Completion is generally for a term of one year from the issuance by the Port Authority of the Certificate of Substantial Completion and, with respect to the Central Hall, one year from the issuance by the Port Authority of the Certificate of Central Hall Substantial Completion (together with the other time periods described below, the “Warranty Period”), provided that:

- with respect to any portion of the DB D&C Work that is repaired or replaced during such one-year periods, the term will be for one year from the date of repair or replacement of such portion of the DB D&C Work;
- the Warranty with respect to any New Facilities Construction Milestone or any Construction Segment that has achieved Partial Completion prior to the Substantial Completion Date will commence from the issuance by the Port Authority of a TCAO with respect to such New Facilities Construction Milestone or Construction Segment, as applicable; and
- the Design-Builder will not have any Warranty obligations with respect to a New Improvement (or a portion thereof) once such New Improvement (or a portion thereof) has been turned over to the Port Authority following Partial Completion thereof and the related construction warranties have been assigned to the Port Authority).

If a DB Work Defect in the DB D&C Work encompassed by the Warranty occurs during the applicable Warranty Period, then no later than thirty days after the expiration of the Warranty Period, the Borrower will be entitled to require that the Design-Builder (or a DB Subcontractor on the Design-Builder’s behalf), at its sole expense, rectify such DB Work Defect.

## **Compensation Events and Delay Events**

### ***Compensation Events***

In the event of the occurrence of a Compensation Event, the Lease Agreement provides that, subject to the notice requirements, submission of the necessary documentation and other requirements set

forth therein, the Borrower will be entitled to certain compensation from the Port Authority with respect to such Compensation Event. See “PART 8 – THE LEASE AGREEMENT – Compensation Events.” The Design-Build Contract provides that, subject to similar notice requirements, submission of the necessary documentation and satisfaction of the other requirements established under the Lease Agreement, the Design-Builder will have the right to seek additional compensation for a Compensation Event. The Design-Build Contract provides that Equivalent Project Relief (including the Design-Builder’s rights against the Borrower to enforce the Borrower’s obligations thereunder with respect to claims for Equivalent Project Relief (see “– Equivalent Project Relief” below)) will be the sole and exclusive rights of the Design-Builder to relief for the adverse effects of a Compensation Event, except in the case of a Developer Act or a Developer Suspension (see “– Developer Acts and Developer Suspensions” below).

### ***Delay Events***

In the event of the occurrence of a Delay Event, the Lease Agreement provides that, subject to the notice requirements, submission of the necessary documentation and other requirements set forth therein, the Designer-Builder will be excused from whatever performance is directly prevented or delayed by the Delay Event and, during the construction period, will be entitled to extension of key construction milestones and/or activities identified on the Project Baseline Schedule based on a time impact analysis in accordance with the technical requirements set forth in the Lease Agreement.

The Design-Builder will have the right to additional extensions of key construction milestones and/or activities for a Delay Event. The Design-Build Contract provides that Equivalent Project Relief (including the Design-Builder’s rights against the Borrower to enforce the Borrower’s obligations thereunder with respect to claims for Equivalent Project Relief (see “– Equivalent Project Relief” below)) will be the sole and exclusive rights of the Design-Builder to relief for the adverse effects of a Delay Event, except in the case of a Developer Act or a Developer Suspension (see “– Developer Acts and Developer Suspensions” below).

### **Equivalent Project Relief**

The Design-Build Contract provides that, so long as the Design-Builder complies with the requirements of the Design-Build Contract and subject to the limitations set forth thereunder, the Design-Builder will benefit from and have the same rights, benefits and entitlements, including to financial compensation or any extension of time or relief from performance of obligations under the Design-Build Contract, as those of the Borrower under the Lease Agreement; provided that such rights, benefits or entitlements under the Design-Build Contract (“Equivalent Project Relief”) will be conditional upon the existence and enforcement of a corresponding right, benefit or entitlement of the Borrower under the Lease Agreement (“Primary Project Relief”). Pursuant to the Design-Build Contract, the Design-Builder must provide any claim for Equivalent Project Relief to the Borrower within sufficient time and in sufficient detail to enable the Borrower to submit such claim to the Port Authority for which Primary Project Relief may be available to the Borrower and, if the Borrower determines that such claim is a Reasonable DB Claim, the Borrower will promptly forward and process such claim to the Port Authority as a claim for Primary Project Relief. At the Borrower’s request, the Design-Builder is required to participate with the Borrower in the Borrower’s discussions with the Port Authority with respect to any claim for Primary Project Relief relating to the Design-Builder’s obligations under the Design-Build Contract. Although the Design-Build Contract provides that the Borrower will take the lead in all such discussions with the Port Authority and that Borrower may settle any Reasonable DB Claim without the consent of the Design-Builder, if in such circumstances the amount requested in such Reasonable DB Claim is greater than the amount for which the Borrower settles such Reasonable DB Claim, then the Design-Builder may bring a claim against the Borrower in respect of such difference.

The Borrower may decline to pursue any claim provided by the Design-Builder that the Borrower determines (in its reasonable discretion) and informs the Design-Builder in writing is not a Reasonable DB Claim. Any Dispute with respect to whether a claim submitted pursuant to the terms of the Design-Build Contract by the Design-Builder constitutes a Reasonable DB Claim will be subject to a dispute resolution procedure. If the dispute resolution procedure determines that a claim provided by the Design-Builder was a Reasonable DB Claim and the Borrower failed to submit such Reasonable DB Claim, the Borrower will be required to promptly submit such Reasonable DB Claim to the Port Authority or, if such Reasonable DB Claim is time barred by the terms of the Lease Agreement, the Borrower will be required to promptly pay the Design-Builder the amount of Equivalent Project Relief that the Design-Builder would have otherwise been entitled to receive with respect to such Reasonable DB Claim.

In addition, the Design-Build Contract provides that the Design-Builder's rights in respect of a Force Majeure Event, Change in Law or Applicable Standards Change will be limited to Equivalent Project Relief and the Design-Builder will not be entitled to terminate the Design-Build Contract, or to make any other adjustment to the Design-Builder's obligations thereunder, as a result of such event. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Equivalent Project Relief."

### **Delay and Liquidated Damages**

Pursuant to the Design-Build Contract, the Design-Builder has committed itself to pay the Borrower liquidated damages (defined as Delay LDs) if the New Facilities Construction Milestones and/or Substantial Completion are not achieved by the applicable Delay LDs Date. The Design-Build Contract establishes such Delay LDs Dates as being, (i) with respect to any New Facilities Construction Milestone, the corresponding date listed in the table set forth in "PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project" or (2) with respect to Substantial Completion, July 8, 2022, in each case as such date may be adjusted only as expressly permitted under the Design-Build Contract in connection with a Developer Act, a Developer Suspension, a Lessee Change, a Developer Change or a Port Authority Change.

The Design-Build Contract requires the Design-Builder to pay the following Delay LDs (or any combination thereof, as applicable) to the Borrower: (1) if the Design-Builder fails to achieve the first New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder is required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$58,598.95; (2) if the Design-Builder fails to achieve the second New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder is required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$26,627.26; (3) if the Design-Builder fails to achieve the third New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder is required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$261,292.13; (4) if the Design-Builder fails to achieve the fourth New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder is required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$38,938.45; (5) if the Design-Builder fails to achieve the fifth New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder shall pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$112,923.60; and (6) if the Design-Builder fails to achieve Substantial Completion (which excludes the Central Hall) by the applicable Delay LDs Date, the Design-Builder is required to pay Delay LDs to the Borrower during the

period from the applicable Delay LDs Date until the Substantial Completion Date at a daily rate of (x) to and including December 31, 2022, \$53,093.83 or (y) after December 31, 2022, \$83,756.82.

The Delay LDs Dates are not subject to adjustment in connection with a Compensation Event or a Delay Event; however, the Design-Builder is entitled to seek reimbursement from the Port Authority (through Equivalent Project Relief under the Design-Build Contract) for Delay LDs paid by the Design-Builder in connection a Compensation Event.

The Design-Build Contract limits the aggregate liability of the Design-Builder to the Borrower in respect of Delay LDs to eight percent (8%) of the Contract Price.

### **Developer Acts and Developer Suspensions**

The Design-Build Contract defines a Developer Act as (1) any breach of the Design-Build Contract by the Borrower; (2) any breach of the Design-Build Contract by the Design-Builder directly caused by the acts or omissions of the Borrower or any Contractor retained by the Borrower to perform any obligation of the Borrower with respect to the D&C Work or the Operations and Maintenance Work (but specifically excluding, in all cases, any act or omission of any Sublessee or Scheduled Aircraft Operator or the Port Authority) or (3) gross negligence, willful misconduct or actual fraud of the Borrower. The Design-Build Contract also specifies, for the avoidance of doubt, that the reference to Contractors in clause (2) of this definition excludes the Design-Builder and the DB Parties.

A Developer Suspension under the Design-Build Contract is, described generally, a suspension of the DB D&C Work by the Borrower. A Developer Suspension does not include any suspension initiated by the Port Authority. See “Suspension Rights – Borrower’s Right to Suspend” below for additional discussion of Developer Suspensions.

Under the Design-Build Contract, the occurrence of a Developer Act or a Developer Suspension can give rise to a claim against the Borrower and can entitle the Design-Builder to relief from performing its obligations under the Design-Build Contract and may include adjustments to the Contract Price and/or the deadlines the Design-Builder is required to meet with respect to the Construction Project in order to avoid an Event of Default and the payment of Delay LDs (see “Termination Rights – Termination for Design-Builder Default” below and “Delay and Liquidated Damages” above). In particular, the Design-Builder is entitled to an extension of time in respect of the DB Substantial Completion Deadline, the DB Final Acceptance Deadline and the DB New Facilities Construction Milestone Deadlines, and compensation for such additional time, and an extension of time in respect of the Delay LDs Dates, in each case (1) to the extent attributable to a Developer Suspension or a Developer Act and (2) if the Design-Builder provides evidence reasonably satisfactory to the Borrower that such applicable event(s) could not reasonably be avoided by the Design-Builder without material cost or delay, including by re-sequencing, reallocating or redeploying its forces to other portions of the DB D&C Work; provided, that: to the extent that any such delay or damages are attributable to a Developer Act or a Developer Suspension and, as a result, are not entitled to relief pursuant to Equivalent Project Relief, the Borrower is required to compensate the Design-Builder for the reasonable costs actually incurred by the Design-Builder that resulted from such delay (including any direct costs, mitigation costs, payments to DB Subcontractors and Suppliers, de-mobilization and, if applicable, re-mobilization costs), plus reasonable overhead and profit on such costs, subject to determination of such costs in accordance with the provisions of the Design-Build Contract. These provisions apply regardless of whether the impact of such Developer Act or Developer Suspension is on the New Facilities work or work on another aspect of the Construction Project (including, but not limited to, the Central Hall or the New Improvements).

## **Limitation of Liability**

Pursuant to the Design-Build Contract, the maximum aggregate liability of the Design-Builder to the Borrower (including amounts recovered under any D&C Guarantee, the D&C Letter of Credit, surety bond or retainage, as applicable): (i) for default under, breach or termination of the Design-Build Contract (or negligence or breach causing termination of any DB Project Document); and (ii) in tort (including negligence and strict liability), for breach of a statutory duty or for any other cause of action in connection with the Design-Build Contract or related to the Construction Project, the DB Project Document or the DB D&C Work, (inclusive of liability to pay Delay LDs (see “– Delay and Liquidated Damages” herein), will be limited to an amount equal to forty percent (40%) of the sum of the Contract Price until Partial Completion of the first, second and third New Facilities Construction Milestones (see “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project” for a description of such milestones) and, thereafter, will be limited to an amount equal to thirty percent (30%) of the sum of the Contract Price. Such limitations do not apply to certain events excluded therefrom in the Design-Build Contract, including indemnity obligations. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Consequential Losses; Limitations on Liability.”

## **Indemnity**

### ***Indemnification Pursuant to the Lease***

Pursuant to the Design-Build Contract, the Design-Builder is required to indemnify and hold harmless the Borrower for any liability for losses that the Borrower incurs to any Port Authority Indemnified Party pursuant to the Lease Agreement to the extent resulting from any acts or omissions of the Design-Builder or any other DB Party. Further, the Design-Build Contract establishes the Port Authority Indemnified Parties as indemnitees, with direct right of enforcement, in each indemnity given by the Design-Builder under the Design-Build Contract.

Likewise, the Design-Build Contract requires the Borrower to indemnify and hold harmless the Design-Builder for any liability for losses that the Design-Builder incurs to any Port Authority Indemnified Party pursuant to the Lease Agreement to the extent resulting from any acts or omissions of the Borrower or any of its Contractors (excluding the Design-Builder and any DB Subcontractor).

For a description of such indemnity obligations under the Lease Agreement, see APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Indemnification.” See also APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Indemnification.”

### ***Additional Indemnification by the Design-Builder***

Pursuant to the Design-Build Contract, the Design-Builder is also required to indemnify, defend and hold harmless the Borrower for any losses suffered or costs incurred by the Borrower (including as a result of claims against the Borrower by third parties) to the extent caused by: (a) any third-party claims for bodily injury or death or property damage (including any claims for economic losses related thereto) arising out of (1) the Design-Builder’s negligent performance or (2) any breach of the Design-Build Contract by any DB Party or any breach thereof by the Borrower directly caused by the acts or omissions of any DB Party; (b) any third-party claims for bodily injury or death or property damage (including economic damages attributable to said bodily injuries or property damages) arising out of (1) the Design-Builder’s negligent performance, or (2) any breach thereof by Design-Builder directly caused by the acts or omissions of any DB Party; (c) gross negligence, willful misconduct or actual fraud of any DB Party, including the directors, officers, employees or agents of any DB Party; (d) patent or copyright

infringement or similar misuse (actual or alleged) by the Design-Builder of any protected information relating to the Construction Project or the DB D&C Work; (e) any third-party claims brought against the Borrower to the extent caused by (w) Hazardous Materials brought by any DB Party onto the Premises, (x) failure of any DB Party to comply with any requirement of the Design-Build Contract imposed on the Design-Builder and relating to Hazardous Materials or applicable Environmental Laws and governmental approvals, (y) any Hazardous Materials release caused by any DB Party or (z) any spreading, migration, exposure or toxicity of Hazardous Materials due to the negligence, recklessness, or willful misconduct of any DB Party; or (f) payments to any person with respect to taxes relating to or imposed on the Design-Builder, including the Design-Builder's income.

#### ***Additional Indemnification by the Borrower***

Pursuant to the Design-Build Contract, the Borrower is also required to indemnify, defend and hold harmless the Design-Builder for any losses suffered or costs incurred by the Design-Builder (including as a result of claims against the Design-Builder by third parties) to the extent caused by: (a) any third-party claims for bodily injury or death or property damage (including any claims for economic losses related thereto) arising out of (1) the Borrower's negligent performance or (2) any Developer Act described in clause (1) or (2) of such definition (see "– Developer Acts" and "– Developer Suspensions" above); (b) any Developer Act described in clause (3) of such definition; or (c) any third-party claims brought against the Design-Builder to the extent caused by (w) Hazardous Materials brought onto the Premises by the Borrower or any Contractor (other than the Design-Builder and its contractors) retained by the Borrower to perform any obligation of the Borrower with respect to the D&C Work or the Operations and Maintenance Work or by any Sublessee or Scheduled Aircraft Operator (but specifically excluding, in all cases, any act or omission of the Port Authority) (each such party, including the Borrower, being referred to as a "Covered Party"), (x) failure of the Borrower to comply with any requirement of the Design-Build Contract imposed on the Borrower and relating to Hazardous Materials or applicable Environmental Laws and governmental approvals, (y) any Hazardous Materials Release caused by any Covered Party or (z) any spreading, migration, exposure or toxicity of Hazardous Materials due to the negligence, recklessness, or willful misconduct of any Covered Party.

### **Construction Security**

#### ***D&C Guarantees***

The Design-Builder will provide to the Borrower a D&C Guarantee from each D&C Guarantor (i.e., Skanska AB and The Walsh Group, Ltd.), in each case in form and substance sufficient to meet the requirements for a D&C Guarantee under the Lease Agreement and substantially in the form set forth in the Design-Build Contract. The rights and benefits of the Borrower with respect to each D&C Guarantee will be concurrently assigned to the Collateral Agent.

#### ***D&C Letter of Credit***

The Design-Builder also will deliver to the Borrower several irrevocable standby letters of credit issued by a Eligible LC Issuers satisfactory to the Borrower, in favor of the Collateral Agent, in each case in form and substance sufficient to qualify such letter of credit as a D&C Letter of Credit pursuant to the Lease Agreement and substantially in the form set forth in the Design-Build Contract, securing the payment and performance of the obligations of the Design-Builder under the Design-Build Contract in an aggregate amount equal to 6.5% of the initial Contract Price until Partial Completion of the first, second and third New Facilities Construction Milestones (see "PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project") and, thereafter, in an aggregate amount equal to 3.5% of the initial Contract Price, in each case as such percentage requirement may be further adjusted by mutual agreement of the parties and consistent with the requirements of the



Lease Agreement with respect thereof. Such D&C Letters of Credit (or extension or replacements thereof) are required to remain in effect until the later of the calendar date stated therein to be the final expiration date thereof or the Final Acceptance Date. For so long as the Design-Builder is obligated to maintain the D&C Letters of Credit, not later than 60 days prior to the stated expiration date of any such letters of credit, the Design-Builder is required to renew, or cause the renewal of, each outstanding letter of credit, or replace, or cause the replacement of, each such letter of credit with one or more replacement letters of credit meeting the same requirements. In addition, for so long as the Design-Builder is obligated to maintain the D&C Letters of Credit, in the event the issuer of any such D&C Letter of Credit fails to meet the requirements of an Eligible LC Issuer, within five business days thereafter the Design-Builder is required to provide a substitute D&C Letter of Credit from a different Eligible LC Issuer. If the Collateral Agent does not receive a replacement letter of credit from an Eligible LC Issuer within the time specified, the Collateral Agent is permitted to draw on the full available amount of the applicable letter of credit.

## **Suspension Rights**

### ***Port Authority's Right to Suspend***

Pursuant to the Lease Agreement, the Port Authority retains the right at any time to suspend, in whole or in part, the D&C Work by written order to the Borrower. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Suspension of D&C Work.” The Borrower is required to provide the Design-Builder with a copy of each such written suspension order relating to the DB D&C Work as soon as practicable and in any event no later than two business days after the Borrower's receipt thereof from the Port Authority (or if less than two business days is provided by the Port Authority for compliance with such order to suspend, then as soon as practicable and in advance of the provided deadline).

Except where any suspension of the D&C Work by the Port Authority pursuant to the Lease Agreement is made in response to certain circumstances specifically identified in the Lease Agreement and described herein (including, for example, any failure by any Lessee-Related Entity to comply with any Applicable Law, Applicable Standard or governmental approval or obtain any governmental approval required to be obtained by the Borrower), any such suspension order entitles the Borrower to claim a Compensation Event and a Delay Event in accordance with the Lease Agreement. The Design-Builder is entitled to make a corresponding claim for Equivalent Project Relief pursuant to Design-Build Contract under such circumstances. The Design-Build Contract further provides that any suspension of the DB D&C Work by the Port Authority pursuant to the Lease Agreement in response to an event listed in (i) through (iv) or (vi) of APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Suspension of D&C Work” will constitute a Developer Act if the Lessee-Related Entity (as referenced therein) is the Borrower or its Contractors (other than the Design-Builder or any DB Party). See “– Developer Acts and Developer Suspensions” above.

### ***Borrower's Right to Suspend***

The Borrower will have the right at any time and for any other reason to require the Design-Builder to suspend performance of the DB D&C Work or any portion thereof by giving prior written notice to the Design-Builder (a “Developer Suspension”). For the avoidance of doubt, a Developer Suspension does not include any suspension initiated by the Port Authority. Prior to a Developer Suspension of the DB D&C Work pursuant to this paragraph, the Borrower is required to provide the Design-Builder with written notice of such intent at least five days in advance. The Borrower may also unilaterally order the Design-Builder to resume performance of the DB D&C Work or any such portion thereof at any time during the Developer Suspension; provided, however, that upon ordering the Design-

Builder to resume the DB D&C Work, the Borrower will be required to compensate the Design-Builder for the reasonable costs that resulted from such Developer Suspension (including any direct costs, payments to DB Subcontractors and Suppliers, demobilization and re-mobilization costs, and any other costs incurred by the Design-Builder in connection with Design-Builder efforts to accelerate the DB D&C Work to the extent such acceleration is requested by the Borrower and such other costs are approved in advance by the Borrower) and, subject to the terms of the Design-Build Contract, shall grant the Design-Builder additional time for performance of its contractual obligations reflecting the delay resulting from such suspension, having made due allowance for any such acceleration of the DB D&C Work. Once such payment is made, the Design-Builder will be required to continue its performance. Further, the Design-Builder will have the right to terminate the Design-Build Contract as a result of a Developer Suspension under the circumstances described in below. A Developer Suspension might entitle the Design-Builder to extensions of time or to additional compensation as described under “– Developer Acts and Developer Suspensions” above.

### ***Design-Builder’s Right to Suspend***

Subject and in addition to the right set forth below governing the Design-Builder’s right to suspend the DB D&C Work in the event of a payment delinquency by the Port Authority and the limitations on the Borrower’s payment obligations with respect to Port Authority Funding, and further subject to the Lenders’ rights under the D&C Contractor Direct Agreement and the Port Authority’s rights under any DB Direct Agreement, including the right to notice of default and the right to cure, and further subject to the provisions of the Design-Build Contract regarding certain limitations on the right of the Design-Builder to suspend its performance under the Design-Build Contract (as described in the last paragraph of this section), the Design-Builder may suspend the DB D&C Work in the case of a Borrower Payment Default (as defined under “– Termination Rights” below); provided that a failure by the Port Authority to pay amounts owed by it under the Lease Agreement will in no event give rise to a Borrower Payment Default, and provided further that: (i) any such suspension will only be effective for a period commencing 10 days after the Borrower’s receipt from the Design-Builder of written notice of such suspension and ending on the date that the Borrower Payment Default is cured; (ii) if the Borrower Payment Default is not cured within 20 days after such suspension begins, the Design-Builder will be entitled to demobilize; and (iii) from the date of commencement of any such suspension until the earlier of the termination of the Design-Build Contract or the date that the Borrower Payment Default is cured, the Borrower will be required to compensate the Design-Builder for the reasonable costs (limited to any direct costs, payments to DB Subcontractors and Suppliers, demobilization and, if applicable, remobilization costs) and overhead and profit on the same that resulted from such suspension, and will be required to grant the Design-Builder additional time for performance of the Design-Builder’s contractual obligations reflecting the delay resulting from such suspension, subject to the provisions described in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Equivalent Project Relief” and without duplication.

In addition to the Design-Builder’s suspension right described above, and subject to the provisions of the Design-Build Contract regarding certain limitations on the right of the Design-Builder to suspend its performance under the Design-Build Contract (as described in the last paragraph of this section), the Design-Builder will be entitled to suspend its performance of the DB D&C Work if payment for such DB D&C Work or for Lessee Damages is delinquent from the Port Authority, so long as the Lease Agreement permits such suspension of performance (see APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Suspension of D&C Work” and, to the extent such non-payment by the Port Authority might entitle the Design-Builder to compensation or other relief pursuant to the Equivalent Project Relief protocol, the Borrower is required to use Reasonable Efforts to pursue such Equivalent Project Relief.

The Design-Build Contract provides that, notwithstanding anything in the Design-Build Contract to the contrary, the Design-Builder will have no right to suspend its performance under the Design-Build Contract without first delivering to the Port Authority no less than 10 days' prior written notice specifying the Design-Builder's ground(s) therefor; provided, that if after the receipt of the Design-Builder's notice, the Port Authority notifies the Design-Builder of the Port Authority's intent to exercise its step-in rights with respect to the Design-Build Contract (subject to the rights of the Lenders pursuant to the D&C Contractor Direct Agreement), the Design-Builder will have no right to suspend its performance under the Design-Build Contract. See "PART 8 – THE LEASE AGREEMENT – Lenders' Rights and Remedies; Refinancing" and APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Lenders' Rights and Remedies."

## **Termination Rights**

### ***Termination for Design-Builder Default***

The Design-Build Contract provides for a number of defaults by the Design-Builder, subject to applicable cure periods, if any, and other rights, obligations and limitations specified therein. Design-Builder Events of Default include, but are not limited to, (1) failure of the Design-Builder to begin the DB Construction Work (i) with respect to the entire Construction Project, within 35 days of the Port Authority's issuance of the Full Construction NTP or (ii) with respect to a Construction Segment, within 50 days of the Port Authority's issuance of the applicable Construction Segment NTP; (2) failure of the Design-Builder to achieve any New Facilities Construction Milestone by the applicable New Facilities Construction Milestone Default Date; (3) failure of the Design-Builder to achieve Substantial Completion by the DB Long Stop Deadline (i.e., 90 days prior to the Long Stop Deadline under the Lease Agreement); (4) except in the case of any suspension of the DB D&C Work by the Borrower pursuant to the Design-Build Contract or the Port Authority pursuant to the Lease Agreement, discontinuance by the Design-Builder of the performance of the DB D&C Work for a period of 15 or more consecutive days, and failure to resume such discontinued DB D&C Work within 25 days following the date the Borrower delivers to the Design-Builder written notice to resume such discontinued DB D&C Work; (5) failure of the Design-Builder (i) to pay any amounts required to be paid to or on behalf of the Borrower or the Port Authority under the Design-Build Contract or (ii) to deposit funds to any reserve or account in the amounts and within the time periods required by the Design-Build Contract; provided, that the payment is not subject to a good faith Dispute and such failure continues unremedied or unwaived for a period of 10 days following the date on which the Design-Builder and the D&C Guarantors receive written notice from the Port Authority or the Borrower to make such payment or deposit any such funds; (6) failure of the Design-Builder to comply, in any material respect, with any insurance requirements set forth in the Design-Build Contract, if such failure is not cured within 75% of the shortest time period provided to the Borrower, if any, under the Lease Agreement or any Financing Document to cure any corresponding event of default; (7) termination by the Port Authority of the Lease Agreement due to any act, omission, or breach by the Design-Builder; and (8) failure of the Design-Builder to obtain, provide and maintain any bonds, D&C Guarantees, the D&C Letter of Credit or any other Construction Security as and when required under the Design-Build Contract or (ii) any breach or default under any D&C Guarantee or under any D&C Letter of Credit that is not cured or waived within 30 days after the date on which the Design-Builder receives written notice thereof from the Borrower (with a copy to each of the D&C Guarantors) or any party to any such D&C Guarantee or D&C Letter of Credit. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Design-Builder Events of Default" for a complete list of all Design-Builder Events of Default under the Design-Build Contract.

If a Design-Builder Event of Default occurs and is continuing, the Borrower may, by written notice to the Design-Builder and the D&C Guarantors, terminate the Design-Build Contract subject to the terms and conditions set forth therein. If such termination occurs prior to the Final Acceptance Date, the

Borrower may cause the DB D&C Work to be completed by other contractors and, as the Borrower's sole remedy with respect to such Design-Builder Event of Default, (A) the Design-Builder is required to pay for the Borrower's excess procurement costs and for any other direct losses suffered by the Borrower in connection with termination of the Design-Build Contract and entering into replacement construction arrangements and (B) if the Port Authority terminates the Lease Agreement as a result of a breach by the Design-Builder of its obligations under the Design-Build Contract that was not caused by the Borrower's failure to perform its obligations under the Design-Build Contract, the Design-Builder is required to compensate the Borrower for any losses incurred as a result of such termination, including any amounts (x) required to be paid to the Lenders as a result of an event of default occurring under the Financing Documents as a result of such termination and (y) incurred by the Borrower or its direct and indirect owners in connection with the Construction Project (subject to the limitations on liability described above under "Limitation on Liability"). In the event of a dispute with respect to the amount payable by the Design-Builder in such circumstances, such dispute shall be subject to the accelerated DB Dispute Resolution Procedure set forth in the Design-Build Contract unless the Lease Agreement requires resolution of such dispute pursuant to the dispute resolution procedures set forth therein. The Design-Build Contract provides that any such payment by the Design-Builder is due within 30 days.

### ***Termination by the Design-Builder***

***Borrower Default.*** The following constitute Borrower DB Events of Default under the Design-Build Contract: (1) a default in the payment of any undisputed amount payable to the Design-Builder that is not cured within 30 days after written notice thereof from the Design-Builder (a "Borrower Payment Default"); (2) an Insolvency Event with respect to the Borrower; (3) any written repudiation of the Design-Build Contract by an authorized representative of the Borrower; and (4) the Port Authority's termination of the Lease Agreement prior to the Final Acceptance Date due to any Event of Default under the Lease Agreement that was caused solely and directly by the Borrower.

If a Borrower DB Event of Default occurs and is continuing (and in addition to the suspension rights described above under "Suspension Rights – Design-Builder's Right to Suspend"), the Design-Builder, by written notice to the Borrower, and subject to the provisions of the Design-Build Contract that are described in the last paragraph of this subsection, may terminate the Design-Build Contract subject to the terms and conditions set forth therein. Such termination is subject to the rights of the Lenders under the D&C Contractor Direct Agreement and the rights of the Port Authority, if any, under any DB Direct Agreement, including the right to notice of default and the right to cure. Further, except in the case of a Borrower Payment Default, the Design-Builder will not be entitled to terminate or suspend performance for any Borrower DB Event of Default if such Borrower DB Event of Default is being disputed in good faith under the DB Dispute Resolution Procedure.

***In Connection With Termination Rights Under Lease Agreement Relating to Restraining Order/Injunction or Force Majeure Event.*** If the right of the Borrower to terminate the Lease Agreement as described under clause (A) or clause (C) of the second paragraph of "PART 8 – THE LEASE AGREEMENT – Termination Rights – Grounds for Termination by the Borrower" has arisen under the Lease Agreement, neither the Port Authority nor the Borrower has given or received a notice to terminate the Lease Agreement and, as a result of the event that gave rise to the Borrower's right to so terminate, it is impossible or impractical for the Design-Builder legally to proceed with the DB D&C Work, then the Design-Builder may give an indicative notice to the Borrower of such circumstance (an "Indicative Termination Notice") and, after consulting with the Borrower in good faith regarding a solution acceptable to both the Borrower and the Design-Builder over a period of 90 days after the date of such Indicative Termination Notice, may by notice to the Borrower terminate the Design-Build Contract, subject to the provisions of the Design-Build Contract that are described in the last paragraph of this subsection. The Design-Build Contract provides that, from the date of an Indicative Termination Notice

until the earlier of the termination of the Design-Build Contract or the Design-Builder's resumption of the DB D&C Work, the Borrower is required to compensate the Design-Builder for the reasonable costs and time that resulted from the event giving rise to the Borrower's right to terminate the Lease Agreement (limited to any direct costs, payment to DB Subcontractors and Suppliers, demobilization and, if applicable, re-mobilization costs); provided that (A) such costs are not covered by insurance and (B) the Design-Builder has used Reasonable Efforts to minimize such costs (including, if appropriate, by redeploying the Design-Builder's and any DB Subcontractors' employees to other work or projects, returning or redeploying equipment and laying off staff).

*Following a Developer Suspension.* If a Developer Suspension of all or substantially all of the DB D&C Work continues for a period of six months or more, then the Design-Builder, by written notice to the Borrower, and subject to the provisions of the Design-Build Contract that are described in the last paragraph of this subsection, may terminate the Design-Build Contract, in which event the Borrower will be required to pay the Design-Builder for its reasonable costs associated with the applicable Developer Suspension, as well as reasonable demobilization costs and breakage costs, including any reasonable DB Subcontractor and Supplier compensation costs.

The Design-Build Contract provides that, notwithstanding anything in the Design-Build Contract to the contrary, the Design-Builder shall have no right to terminate the Design-Build Contract or demobilize without first delivering to the Port Authority no less than 45 days' prior written notice specifying the Design-Builder's ground(s) therefor; provided, that if after the receipt of the Design-Builder's notice, the Port Authority notifies the Design-Builder of the Port Authority's intent to exercise its step-in rights with respect to the Design-Build Contract (subject to the rights of the Lenders pursuant to the D&C Contractor Direct Agreement), the Design-Builder will have no right to terminate the Design-Build Contract.

See "PART 8 – THE LEASE AGREEMENT – Lenders' Rights and Remedies; Refinancing" and APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Lenders' Rights and Remedies."

#### ***Other Termination***

Subject to the Lenders' rights under the D&C Contractor Direct Agreement, to the Port Authority's right to assignment of the Design-Build Contract under certain circumstances upon termination of the Lease Agreement, and to satisfaction of the Design-Builder's obligations under the Design-Build Contract upon termination of the Lease Agreement, the Design-Build Contract will terminate automatically if the Lease Agreement is terminated for whatever reason, including the Borrower's default thereunder, without liability of the Borrower or the Port Authority for the Design-Builder's lost profits or business opportunity.

In the event of a termination of the Lease Agreement entitling the Borrower to compensation from the Port Authority, the Borrower is required to notify the Design-Builder and work with the Design-Builder in preparing any applicable claim for termination compensation and, to the extent practicable, provide the Design-Builder with an opportunity to participate in the discussion and resolution of any claim with the Port Authority. The Design-Builder's right to receive a portion of any termination compensation received from the Port Authority under such circumstances will be as described under "Compensation to the Design-Builder Upon Termination" below.

#### ***Compensation to the Design-Builder Upon Termination***

The Design-Build Contract provides that, notwithstanding anything in the Design-Build Contract to the contrary, the Design-Builder will only be entitled to compensation upon termination of the Design-

Build Contract under the circumstances described above: (i) if the Lease Agreement is terminated, upon receipt by the Borrower of corresponding termination payments from the Port Authority, in which case the Design-Builder will be entitled to a portion of such payment from the Port Authority as and to the extent that such payment relates to termination of the Design-Build Contract and subject to the Equivalent Project Relief protocol; or (ii) if a termination of the Design-Build Contract is due to a Borrower DB Event of Default or as a result of any of the other events described under “Termination by the Design-Builder” above, in which case the Borrower will be required to pay the Design-Builder: (x) for all DB D&C Work completed through the date of termination (or, if an authorized suspension of the DB D&C Work occurred prior to such termination date, for the DB D&C Work completed by the Design-Builder prior to such date of suspension and, if authorized by the Borrower, following such suspension but prior to such termination date), in each case based on the schedule of values and only to the extent payment has not already been made, plus (y) reasonable demobilization and breakage costs, including any reasonable DB Subcontractor and Supplier compensation costs.

## **PART 11 – OPERATION AND MANAGEMENT OF THE PROJECT**

The Borrower is responsible under the Lease Agreement for all Operations and Maintenance Work for the Terminal B Facilities and the Central Hall.

To provide it with certain services and support in connection with its responsibilities with respect to the Operations and Maintenance Work, the Borrower will enter into the Management Services Agreement with the Manager, a wholly-owned subsidiary of Vantage. The term of the Management Services Agreement will commence upon the Issuance Date and extend until December 30, 2050 (i.e., the expiration date of the Lease Agreement), unless terminated earlier as described therein.

Under the Management Services Agreement, the Manager will designate nominees to serve as the Borrower’s Chief Executive Officer, Chief Commercial Officer/Concessions Manager, Chief Operating Officer, and Project Manager, each of which will be an employee of the Borrower. Separately, the Meridiam Member will nominate the Borrower’s Chief Financial Officer, and the Skanska Member will nominate the Borrower’s Chief Technical Officer, each of which will also be an employee of the Borrower. The Manager will also propose additional personnel who, upon approval of the Borrower’s Board of Directors, will be seconded to the Borrower by the Manager. The work and activities of the Borrower will otherwise be performed by other staff and personnel employed directly by the Borrower.

Through the Manager’s own personnel and other internal and third-party resources, the Manager will provide day-to-day management of the Borrower’s business and operations. The broad services provided by the Manager to the Borrower under the Management Services Agreement include, but are not limited to managing:

- Analysis and evaluation of Borrower and terminal performance, and recommending best practices to improve performance;
- Provision of day-to-day support to Borrower’s management functions, including preparing business plans and budgets, conducting audits, collecting and reporting statistical information, overseeing commercial leasing and licensing, performing risk management services, and developing marketing strategies;
- Facilitation of the design, development and construction of the Construction Project by coordinating the preparation of construction documents, performing contract administration, and overseeing tenant design and construction;

- Coordination of the transition of new facilities as they are completed and opened for public use by establishing engineering and maintenance procedures;
- Development of operational policies and procedures with respect to all airline, passenger, terminal, facility and customer service functions;
- Implementation of financial policies and controls;
- Development of commercial policies and procedures for licensees;
- Preparation of public relations strategies;
- Conduct of human resources training; and
- Implementation of an information services plan.

The Manager will also provide the Borrower with access to Vantage's airport network, including its know-how, guides and manuals with respect to best industry practices for administration, financing, human resources, operations, information technology and commercial and brand issues as may be necessary for the Manager to perform the management services. While the Manager will be obligated to provide the requisite management services under the Management Services Agreement in accordance with "best management practice," the obligations under the Lease Agreement with respect to the Operations and Maintenance Work will remain the primary obligations of the Borrower and will not generally be deemed to have passed through to the Manager.

Under the Management Services Agreement, the Manager will be entitled to a management fee comprised of two separate components, a base fee and a performance fee, as compensation for its services during both the period prior to Substantial Completion and the period following Substantial Completion. In particular, the base fee will be paid monthly during the whole term of the Management Services Agreement, in the amount of \$7,750,000 per year before Substantial Completion and \$3,750,000 per year after Substantial Completion, subject to certain adjustments following Substantial Completion based on changes to the Consumer Price Index. The performance fee will be determined as follows:

- The performance fee will be paid upon completion of each of the first three New Facilities Construction Milestones under the Lease Agreement (the third such milestone marking the partial completion of the headhouse associated with the New Terminal B Facilities) and will be equal to sixty percent (60%) of the base fee during the period to completion of each such New Facilities Construction Milestone;
- For each period thereafter until the completion of another New Facilities Construction Milestone and until Substantial Completion, the performance fee will be paid shortly following completion of each such New Facilities Construction Milestone or Substantial Completion, as applicable, in an amount equal to A minus B where A is equal to sixty percent (60%) of the base fee during the period from the Issuance Date to completion of the applicable New Facilities Construction Milestone or Substantial Completion, subject to certain adjustments based upon the amount of net revenues earned by the Borrower during the applicable period (i.e., the performance fee will increase if certain net revenues exceed certain projections, or decrease if such net revenues do not meet certain projections) and B is equal to the sum of the performance fees that have been earned by the Manager to such date; and

- Following Substantial Completion, the performance fee will be paid annually in an amount equal to 110% of the base fee, subject to certain adjustments based upon the amount of net revenues earned by the Borrower during the applicable period (i.e., the performance fee will increase if certain net revenues exceed certain projections, or decrease if such net revenues do not meet certain projections). During such period, the performance fee will not be payable unless the Restricted Payment Conditions are met, and further, if payment of the performance fee is projected to result in the Restricted Payment Conditions not being satisfied during the succeeding twelve-month period, the Performance Fee shall not be paid, but rather shall be accrued and be paid on a later date when such payment would not result in the failure to satisfy the Restricted Payment Conditions.

The management fees and expenses of the Manager under the Management Services Agreement will generally be paid from revenues of the Borrower prior to debt service on the Bonds (including the Series 2016 Bonds) as part of the Borrower's Permitted O&M Expenses.

Vantage is providing a guaranty of the Manager's performance and payment obligations under the Management Services Agreement.

The Manager will report and be accountable to the Borrower's Board of Directors.

For a further description of the Management Services Agreement, see APPENDIX G – "SUMMARY OF CERTAIN PROVISIONS OF THE MANAGEMENT SERVICES AGREEMENT."

## **PART 12 – AERONAUTICAL REVENUES**

Rates and charges paid by aeronautical users of the Terminal B Facilities are expected to comprise a principal revenue source for the Borrower's payment of its operating expenses and repayment of its loan obligations under the Loan Agreements. Aeronautical users generally include airlines and businesses that provide support directly related to the operation of aircraft, such as ground or passenger handling services. Airlines, in particular, are expected to account for the bulk of all aeronautical users of the Terminal B Facilities, and the Borrower expects that revenues with such users will be derived from a combination of continuing subleases and new business arrangements as the Borrower assumes operation of the Existing Terminal B Facilities and construction of the New Terminal B Facilities proceeds.

### **Existing Terminal B Facilities and Existing Airline Subleases**

Each Airline currently using the Existing Terminal B Facilities does so under one or more of the following:

- a lease agreement with the Port Authority (each a "Gate Lease Agreement") generally granting the airline rights to the exclusive use of particular aircraft gates and related facilities (as described below) in the Existing Terminal B Facilities (i.e., facilities that are used only by such airline, subject only to limited rights of the Port Authority to require accommodation of other airline users in certain circumstances), and/or
- a use agreement with the Port Authority (each a "Gate Use Agreement") granting the airline rights to certain common use aircraft gates and related facilities (as described below) in the Existing Terminal B Facilities (i.e., facilities that are shared with other airlines) under policies and procedures administered by the Port Authority.

Currently, two aircraft gates and related facilities in the Existing Terminal B Facilities are subject to common use under Gate Use Agreements with various airlines. All other aircraft gates and associated



related facilities in the Existing Terminal B Facilities are leased to airlines on an exclusive use basis under various Gate Lease Agreements.

Under the Gate Lease Agreements, each subject airline pays to the Port Authority an established monthly rental amount for each specified area leased by the airline under the applicable agreement, which may include specific aircraft gates, baggage claim areas, ticket counters, or concourse areas, and may also include the right to use certain additional areas in the Existing Terminal B Facilities. A subject airline also pays certain specified additional charges to the Port Authority, such as charges for utilities, the Existing CHRP, and terminal security, and is also generally responsible for funding and performing maintenance and repair on its leased premises, subject only to certain limited exceptions set forth in its applicable Gate Lease Agreement(s).

Under the Gate Use Agreements, each subject airline pays to the Port Authority an established “per turn-around” fee that is comprised of several components, such as a gate position fee for the use of the ramp area, holdroom and loading bridge associated with each common use aircraft gate, a ticket counter and outbound baggage fee for the use of associated ticket counters and outbound baggage facilities, and an inbound baggage fee for the use of associated inbound baggage facilities. The “per turn-around” fee is paid for each aircraft arrival and departure at a common use gate. The Port Authority is generally responsible for funding and performing maintenance and repair of the common use aircraft gate areas and related facilities and equipment.

The chart below summarizes the airline users, leased or used gate areas, and type of agreement applicable for each current aircraft gate in the Existing Terminal B Facilities:

<b>Airline User</b>	<b>Gate(s) and related facilities subject to Gate Lease Agreements (exclusive use)</b>	<b>Gate(s) and related facilities subject to Gate Use Agreements (common use)</b>
Air Canada	A5, A6, A7	
American Airlines	C1, C2, C3, C4, C8 D1, D2, D3, D4, D5, D6, D7, D8, D10	
Frontier Airlines		A3, B4
JetBlue Airways	A2, A4	A3, B4
Southwest Airlines	B1, B3, B5, B7, B8	B4
Spirit Airlines	B6	A3, B4
United Airlines	A1, C5, C7, C9, C10, C11, C12, C14	A3, B4
Virgin America	C6	

Effective as of the Issuance Date, under the terms of the Borrower’s Lease Agreement with the Port Authority, the Port Authority will assign and transfer to the Borrower, and the Borrower will accept from the Port Authority, each of the current Gate Lease Agreements and the current Gate Use Agreements (collectively, the “Existing Airline Subleases”). All rentals, fees and other amounts payable under the Existing Airline Subleases with respect to the period following the Issuance Date will accrue to the

Borrower, and the Borrower will generally be required to perform the obligations of the Port Authority under such agreements from and after the Issuance Date (excluding certain rights and obligations reserved exclusively to the Port Authority under the Existing Airline Subleases or in its role as airport operator).

The Existing Airline Subleases expired on December 31, 2015, but continue in effect in month-to-month hold over status under which either party may terminate the agreement on notice to the other. Prior to the expiration date, the Port Authority agreed to offer a six-year extension of the term of each Existing Airline Sublease, provided that the rentals and fees payable under each such agreement would increase by 2% (in the case of facilities) or 3% (in the case of land) for each calendar year covered by the extension period. The Port Authority transmitted formal extension agreements (the “Extension Agreements”) to each current airline user in the Existing Terminal B Facilities to amend its Existing Airline Sublease(s) to confirm such arrangements. When fully executed by the Port Authority and each applicable airline, each Extension Agreement would take effect and modify its corresponding Existing Airline Sublease retroactively as of January 1, 2016. The Borrower understands that each airline is expected to execute and return to the Port Authority its Extension Agreement(s) before the Issuance Date. The Port Authority has billed the airlines, and has received, the increased rentals and fees contemplated by the Extension Agreements. Pending the formal execution of each Extension Agreement by the applicable airline and the Port Authority, each corresponding Existing Airline Sublease currently remains in effect in month-to-month hold over status.

Each Existing Airline Sublease will be assigned to and accepted by the Borrower as of the Issuance Date, regardless of whether it has been extended by an Extension Agreement. The Borrower estimates that the expected revenues from increased rates and fees under the Extension Agreements would be approximately \$15,000,000 over the remaining term of the Existing Airline Subleases, as extended by the Extension Agreements.

As further described below under “– Transition to New Arrangements,” the Borrower expects to recognize revenues from airlines’ ongoing use of the Existing Terminal B Facilities under the Existing Airline Subleases while such facilities remain in use during construction of the New Terminal B Facilities, and the Borrower expects to apply available net operating revenues during this period towards construction costs of the New Terminal B Facilities.

### **New Terminal B Facilities and New Airline Subleases**

Since August of 2015, the Borrower has been meeting on a regular basis with the current airline users of Terminal B to discuss prospective business arrangements and related matters concerning the Construction Project and the New Terminal B Facilities. (The Port Authority’s procurement rules for project prohibited the Borrower from communicating with the airlines prior to the Port Authority’s selection of the Borrower as the “Preferred Proposer” in late May of 2015.) These meetings have been regularly attended by representatives of the five largest airline users of the Existing Terminal B Facilities, specifically Air Canada, American Airlines, JetBlue Airways, Southwest Airlines, and United Airlines (collectively, the “Negotiating Airlines”), as well as by representatives of the Port Authority. Frontier Airlines has also participated in the meetings from time to time, and the Borrower has separately discussed aspects of the Construction Project and the New Terminal B Facilities with each of Spirit Airlines and Virgin America. Among other things, the meetings have included discussions concerning the content of potential new airline use and lease agreements (the “New Airline Subleases”) between the Borrower, as sublessor, and each airline, as sublessee, that, if, as and when consummated, would govern the rights and obligations between the Borrower and such airlines in connection with the New Terminal B Facilities; prospective airline rates and charges for the New Terminal B Facilities; the anticipated operating environment for the New Terminal B Facilities; the anticipated timing and cost of construction of the New Terminal B Facilities; the anticipated phasing of construction of the New Terminal B

Facilities; and the transition of airlines' operations from the Existing Terminal B Facilities to the New Terminal B Facilities. Additional meetings between the Borrower and the current airline users of Terminal B have considered various technical aspects associated with the proposed design, construction, financing, and operation of the New Terminal B Facilities.

Based on its meetings with the current airline users of Terminal B, in February of 2016, the Borrower proposed a non-binding summary of certain principal terms that the parties would expect to incorporate into definitive New Airline Subleases for the New Terminal B Facilities (the "Term Sheet"). The Borrower and all five of the Negotiating Airlines, as well as Spirit Airlines have signed the Term Sheet. As of the date of this Official Statement, Virgin America has also indicated to the Borrower its current willingness to sign the Term Sheet, pending completion of internal approvals. Together with the Negotiating Airlines, such airlines accounted for approximately 98% of total passengers using the Existing Terminal B Facilities in 2015. The Borrower is continuing to discuss the Term Sheet with single remaining airline user of the Existing Terminal B Facilities, Frontier Airlines. The Term Sheet is not intended to be, and does not constitute, a binding or enforceable agreement, but is instead intended as a summary of the principal terms that would be used to facilitate further discussion, negotiation, and development of definitive New Airline Subleases.

Among other things, the Term Sheet contemplates the following principal terms for potential New Airline Subleases:

- Term. New Airline Subleases would take effect prior to completion of any element of the New Terminal B Facilities and extend until five years following Substantial Completion of the Construction Project. Airlines would have a renewal option for an additional five-year period.
- Airline Usage. Aircraft gates in the New Terminal B Facilities (and associated ramp, baggage, and ticketing areas) would be assigned by the Borrower to airlines on a common use basis, subject to facility usage policies to be agreed upon between the parties. Office space and club rooms would be made available by the Borrower to airlines on an exclusive use basis.
- Airline Rates and Charges. Airlines would pay rates and charges to the Borrower only for airline-related facilities used or leased by them, based on methodologies enabling the Borrower to recover from the airlines the total New Terminal B Facilities costs applicable to the airlines' use of each such facility. Specifically,
  - o airline rates and charges for the terminal building included in the New Terminal B Facilities would be based on a commercial compensatory methodology;
  - o airline rates and charges for the terminal apron would be based on a cost center residual recovery methodology; and
  - o airline rates and charges for other airline-used facilities (such as remain overnight aircraft parking positions) would be based on a cost recovery methodology.

In each case, costs allocated to each such facility would include the Borrower's operating and capital costs allocable to that facility, including allocated debt service and annual debt service coverage in accordance with the Financing Documents and amortization of other capital contributed by the Borrower. Airlines would not be required to pay rates and charges for any element of the New Terminal B Facilities until it is completed and operable.

- *Airline Amount.* Effective from the first full calendar year of operation of the New Terminal B Facilities following Substantial Completion (i.e., anticipated to be 2023), the Borrower would provide the airlines that have signed New Airline Subleases with an annual downward adjustment to the future calendar year's airline rates and charges up to an aggregate amount equal to approximately 21% of the Borrower's concession revenues (excluding revenues derived from marketing and common area maintenance cost recovery fees) in such prior operating year, subject to the achievement of an agreed-upon minimum enplanement level for the New Terminal B Facilities.
- *Project Cost Overruns.* The Borrower would bear responsibility for any cost overruns for construction of the New Terminal B Facilities, other than airline caused or requested changes, new legal mandates, or scope changes that in the aggregate cost below a threshold of one-half of 1% of total New Terminal B Facilities costs recoverable from the airlines.
- *Additional Capital Costs.* Airlines would have approval rights over any new capital project impacting airline rates and charges above a threshold of \$5,000,000, excluding scheduled major maintenance, specific Lease Agreement requirements, emergency, security, safety, casualty, legal mandates and similar items, and certain facility and/or gate expansions approved by the Port Authority after consultation with the airlines.
- *Operations and Maintenance Expenses.* Airlines would be afforded an opportunity to review and provide input regarding material changes in Terminal B operating expenses that may impact airline rates and charges.

The Borrower expects to continue its discussions with all of the current airline users of Terminal B with the objective of concluding definitive New Airline Subleases with all such prospective airline users of the New Terminal B Facilities prior to the completion and initial occupancy of any elements of the New Terminal B Facilities. However, no assurance can be provided that New Airline Subleases will be concluded with all or any of such prospective airline users of the New Terminal B Facilities, or, if concluded, that any such New Airline Subleases would incorporate all or any of the principal terms described in the Term Sheet. Definitive New Airline Subleases, if any, could be based on terms that differ in comparison to those described in the Term Sheet.

Further, even if the Borrower concludes satisfactory New Airline Subleases with each currently anticipated airline user of the New Terminal B Facilities, it is expected that such New Airline Subleases would expire prior to the end of the term of the Lease Agreement or that other airlines serving the Airport might seek to operate from the New Terminal B Facilities during the term of the Lease Agreement. In either such case, the Borrower would expect to seek satisfactory use or lease agreements with all then-current and future airline users of the New Terminal B Facilities. However, no assurance can be provided that satisfactory lease or use agreements would be concluded and maintained in effect with all or any of such airline users.

In the event that the Borrower is unable to conclude satisfactory New Airline Subleases with one or more of the currently anticipated airline users of the New Terminal B Facilities, or in the event it is unable to conclude and maintain in effect satisfactory airline use or lease agreements at any time in the future with one or more of the airlines that will be using the Terminal B Facilities at any given time during the full term of the Lease Agreement, the Borrower expects that it would adopt one or more tariffs from time to time establishing rates and charges for the use of the Terminal B Facilities by such airlines (a "Tariff"), consistent with applicable law and the principles and requirements of the U.S. Department of Transportation and Federal Aviation Administration Policy Regarding Airport Rates and Charges (the "FAA Policy"). Any such Tariff might, but would not be required to, be based upon the rates and charges

methodologies described in the Term Sheet, except that the Borrower does not expect that any airlines subject to rates and charges under a Tariff would be eligible for any credits or similar financial benefits offered by the Borrower. Airlines subject to a Tariff might also be required to pay higher “non-signatory” rates and charges in comparison to those paid by any airlines that have signed use or lease agreements with Borrower governing their use and occupancy of the Terminal B Facilities. The Borrower believes that a Tariff utilizing the methodologies described in the Term Sheet would yield fair and reasonable airline rates and charges for the New Terminal B Facilities, consistent with applicable law and the principles and requirements of the FAA Policy.

Under the terms of the Lease Agreement, the Port Authority, in its capacity as the airport sponsor and operator of the Airport, will be committed to providing such support as may be required by applicable law to enable the Borrower to set airline rates and charges in accordance with the principles and methodologies set forth in the Borrower’s then-current approved Comprehensive Terminal Plan. The Borrower’s initially approved Comprehensive Terminal Plan includes the potential for airline rates and charges to be set by a Tariff based upon the rates and charges methodologies described in the Term Sheet. Any Tariff adopted with the support of the Port Authority would be established pursuant to existing authority of the Port Authority to set rates and charges at its airports.

Any airline subject to a Tariff could bring a complaint under the FAA Policy. In the event that a Tariff is established at any time, including one that may be based upon the rates and charges methodologies described in the Term Sheet, there can be no assurance that a complaint will not be brought against the Borrower and/or the Port Authority challenging the methodologies of, and the rates and charges established by, any such Tariff or that, if challenged, the entirety, or any part, of any such Tariff would be upheld. A successful challenge to any Tariff established by the Borrower that limits the ability of the Borrower to impose rates and charges materially below the levels anticipated by the Borrower could have a material adverse impact on the Borrower. See “PART 16 – RISK FACTORS – Certain Airport Regulatory Considerations – Regulatory Rate Structure Implementation” herein.

### **Transition Principles to Facilitate Construction**

As previously described under “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations” above, the Borrower intends to implement the Construction Project in multiple phases. As part of the Borrower’s construction plan, discrete aircraft gate areas and other facilities within the Existing Terminal B Facilities will be decommissioned on a sequential basis to enable the phased construction of specific portions of the New Terminal B Facilities. Such decommissioning is anticipated to require the interim relocation to, and/or temporary sharing of, space and facilities in the Existing Terminal B Facilities by certain current airline users of the Existing Terminal B Facilities, until such time as completed elements of the New Terminal B Facilities are available for use to accommodate such airlines’ affected operations.

The Borrower, in consultation with the current airline users of the Existing Terminal B Facilities, has developed and intends to adhere to certain principles (the “Transition Principles”) in effectuating airline moves within and from the Existing Terminal B Facilities in connection with the construction of the New Terminal B Facilities. The Transition Principles are intended to facilitate the construction and occupancy of the New Terminal B Facilities with minimal interference and adverse impacts on Terminal B airline operations, and the Borrower believes that the Transition Principles are consistent with the parties’ rights and obligations under the Existing Airline Subleases. Among other things, under the Transition Principles:

- upon advance notice from the Borrower meeting certain requirements, an airline whose currently leased or used premises in the Existing Terminal B Facilities is needed in whole or

in part for the construction of a phase of the New Terminal B Facilities will be required to surrender and vacate the affected portion of its premises, provided that relocation space is ready and available for its intended use;

- the premises surrendered by an airline will cease to be a part of the airline's leased or used premises under the applicable Existing Airline Sublease, and the rents or fees payable by the airline under such Existing Airline Sublease will be adjusted to reflect the deletion of such premises from such Existing Airline Sublease, to the extent applicable;
- when all premises under an airline's Existing Airline Sublease have been surrendered, such Existing Airline Sublease will be deemed terminated in its entirety;
- premises surrendered by an airline will either be (i) demolished by the Borrower ("Construction Space"), or (ii) controlled and administered by the Borrower as shared or common use space for use by the surrendering airline and/or other airline users of the Existing Terminal B Facilities on an interim basis pending such premises' eventual demolition ("Converted Space");
- the Borrower will be responsible for equipping, reconfiguring, or otherwise modifying, and for maintaining, all Converted Space to accommodate its common use by any airlines that are assigned to it under common use procedures, requirements and protocols established from time to time by the Borrower;
- the aggregate rates and charges payable by all airline users of Converted Space will be (i) in the case of currently existing common use space in the Existing Terminal B Facilities, the current common use rates and charges for such space, or (ii) in the case of all other Converted Space, the aggregate rates and charges that would apply to such space as if it had remained subject to the Existing Airline Sublease that governed such space prior to its surrender;
- the Borrower will compensate an airline surrendering Converted Space in an amount to be agreed upon between the parties for any furnishings, equipment, fixtures, and improvements surrendered by such airline with respect to such Converted Space (including jet bridges); however, no compensation for items surrendered with respect to Construction Space will be provided; and
- the Borrower will pay certain necessary and reasonable costs of relocating any airline from space in the Existing Terminal B Facilities to Converted Space and/or to space in the New Terminal B Facilities (other than club rooms).

Subject to the Transition Principles, the Borrower expects to recognize revenues from airlines' ongoing use of the Existing Terminal B Facilities under the Existing Airline Subleases while areas of the Existing Terminal B Facilities remain in use during construction of the New Terminal B Facilities. Further, as described above under "– New Terminal B Facilities and New Airline Subleases," the Borrower intends for New Airline Subleases and/or a Tariff (collectively, the "New Airline Arrangements") to take effect prior to completion of any element of the New Terminal B Facilities, which New Airline Arrangements would govern airlines' use and occupancy of the New Terminal B Facilities from and after the time any such facilities are completed and in use. As the Borrower's construction plan contemplates the sequential decommissioning of the Existing Terminal B Facilities and the phased opening of elements of the New Terminal B Facilities while certain Existing Terminal B Facilities remain in operon, the Borrower expects to have both Existing Airline Subleases and New Airline Arrangements

in effect at the same time. As construction proceeds, and phased elements of the New Terminal B Facilities are completed, the Borrower expects to derive increasing airline revenues under the New Airline Arrangements and decreasing airline revenues under the Existing Airline Subleases until such time as all Existing Terminal B Facilities have been decommissioned and are no longer in use, following which only the New Arrangements would remain in place. Prior to the completion of the Construction Project, the Borrower also intends to reinvest and apply available operating revenues (including airline revenues) from the Existing Terminal B Facilities towards costs of the Construction Project.

For additional information concerning risks associated with the Borrower's construction plan, see "PART 16 – RISK FACTORS – Risks Related to Construction of the Construction Project" herein.

### **PART 13 – NON-AERONAUTICAL REVENUES**

Besides airline and other aeronautical users, revenues from non-aeronautical users of the Terminal B Facilities are expected to comprise the remaining principal revenue source for the Borrower's payment of its operating expenses and repayment of its loan obligations under the Loan Agreements.

The primary source of non-aeronautical revenues currently generated in the Existing Terminal B Facilities and expected to be generated in the New Terminal B Facilities are rentals with respect to facilities subleased or to be subleased to retail concessionaires operating in the Terminal B Facilities under various concession subleases (the "Concession Subleases"). The level of revenues realized by the concession program in the Terminal B Facilities is and will continue to be dependent upon a number of factors, including an optimal mix of desirable offerings that match customer preferences, passenger traffic, and general economic conditions (in that potential customers tend to spend less on retail offerings in recessionary periods). In general, however, concession revenues in the Terminal B Facilities have been and will remain dependent on passenger activity.

#### **Existing Terminal B Concessions Facilities**

The Existing Terminal B Facilities include more than 60 concession units totaling approximately 45,000 square feet of commercial space across the terminal's main building and four concourses, all of which units are subleased by the Port Authority to Marketplace LaGuardia Limited Partnership ("Marketplace"), which has served as the concessions manager for the Existing Terminal B Facilities for over twenty years pursuant to a Master Lease with the Port Authority (the "Marketplace Lease"). Marketplace, in turn, subleases individual concession units to various concessionaires, which operate restaurants, news and gift shops, specialty retail shops, duty free shops, and other facilities providing goods and services to airline passengers and others using the Existing Terminal B Facilities. Marketplace collects sublease rentals from the individual concession sublessees and, under the Marketplace Lease, Marketplace pays to the Port Authority a base rental fee, based on the number of enplaned passengers at the Existing Terminal B Facilities during a given annual period, and a variable rent based on the revenue Marketplace receives from its concession sublessees. Marketplace generally retains approximately 20% of the total concession rent paid by individual concessionaires operating in the Existing Terminal B Facilities.

Upon the Issuance Date, the Borrower expects to assume the Marketplace Lease from the Port Authority. Under the terms of the Marketplace Lease, the Borrower would have the right to terminate the Marketplace Lease upon payment of a termination payment to Marketplace in an amount based on certain unamortized capital costs previously incurred by Marketplace. As of the Issuance Date, such amount is approximately \$2,000,000. The Borrower would also have the right to terminate the Marketplace Lease in part, without payment of a termination payment. If the Borrower does terminate the Marketplace Lease in whole or in part, the Borrower would have the right (but not the obligation) to assume from Marketplace

the existing concession subleases then in place between Marketplace and individual concessionaires. If the Borrower were to assume any such subleases, the Borrower would then receive the full amount of the sublease rentals paid by the individual sublessees under such existing concession subleases, provided that a percentage of rent amounts received in connection with certain subleases are required to be shared with the airlines. For further information about the existing concession lease arrangements and the Borrower's concession management plans, see APPENDIX B-1 – "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX B-5 – "REPORT OF THE CONCESSION FORECAST CONSULTANT." Following assumption of the Marketplace Lease upon the Issuance Date, the Borrower will continue to consider and evaluate its options for managing the concessions in the Existing Terminal B Facilities to optimize its concessions strategy for the Existing Terminal B Facilities.

The terms and conditions of the existing concession subleases vary, but rentals under such agreements are typically based on a combination of fixed base rents and variable rents based on the sales revenues of the applicable concessionaire. The length of the terms of such subleases also vary; some are currently on a month-to-month status while others have terms extending longer, including until the expiration of the Marketplace Lease in August 2018. However, under the Port Authority's consent to each of the subleases, which the Borrower anticipates assuming from the Port Authority on the Issuance Date, the Borrower expects to have the right to terminate the individual existing subleases without penalty on 30 days' notice to the applicable sublessee, whether the Marketplace Agreement remains in place or not. In the event that the consents to subleases are not assigned by the Port Authority to the Borrower, the Borrower anticipates that the Port Authority will cooperate with the Borrower to take actions necessary to implement the Borrower's planned concession strategy.

### **New Terminal B Facilities**

In order to achieve the premier, first-class concession program required by the Lease Agreement, the New Terminal B Facilities are anticipated to include more than 103,000 square feet of commercial space, more than doubling the commercial space available in the Existing Terminal B Facilities. A space-planning model has been used to determine the best allocation of concession space by category, based on passenger insight, best practices and Vantage's experience and knowledge of commercial trends. Almost 70% of the total commercial space is planned to be located in one core commercial zone in the main terminal building, after the passenger security checkpoints, which is expected to encourage passengers to dwell in the central retail area and to increase the amounts spent per passenger. The mix of concessions that will be made available in the New Terminal B Facilities is expected to include similar categories of concessions as are available in the Existing Terminal B Facilities, though with a comparably higher percentage of specialty retail and food and beverage concessions as compared to news & gifts and duty free concessions. The Borrower anticipates negotiating and entering into direct sublease agreements with concessionaires for concession facilities in the New Terminal B, which agreements are anticipated to require the applicable sublessee to pay the greater of a minimum annual guarantee or percentage rent based on the concessionaire's sales. The terms and conditions of such sublease agreements will be negotiated as facilities in the New Terminal B become available.

The New Terminal B is designed to be modern and easy to use, and to embrace the diversity, excitement and vitality that are identifiably New York. To deliver an industry-leading concession program, the Borrower has anchored the design, layout and mix against Vantage's proven approach to commercial development and management. The concession program is designed to create an exceptional passenger experience and a unique commercial offer.

The food and beverage mix is intended to reflect popular New York brands and chef-driven concepts, while the retail offer will provide a range of products and price points suited to a variety of passengers. Combining passenger insights and best practices, the Borrower has developed a commercial



program that will satisfy the existing traveler, provide flexibility as the traveler profile evolves, encourage passenger spend and enhance the passenger experience.

The concession design planned for the New Terminal B is open and flexible, and incorporates many freestanding elements that can be easily adapted for future changes in passenger trends and preferences. The open design of the duty free and department stores that anchor the retail gallery will allow for a broad variety of products whose mix and brands can be easily updated to respond to dynamic changes in merchandising. Mobile pop-up retailing programs and regular events will dispel the static “sameness” of typical airport retail offerings for the high number of frequent travelers who will use the New Terminal B.

In addition to increasing and introducing a wide and balanced variety of quality concession offers, the New Terminal B will be configured to increase spending and improve passenger experience in five ways:

1. *Single Point of Entry.* All passengers will enter the primary concession area in the headhouse from a single security checkpoint. Controlling passenger flows will facilitate the efficient use of concession space. Guaranteed access to all passengers will provide concession operators the best opportunity to maximize sales and will avoid the need to duplicate particular concepts in a number of places to ensure all passengers are exposed to those brands.

The Borrower intends to actively market the effectiveness of its concession design to attract and retain high-quality, recognized brands and offerings with the goal of providing a broader range of concepts and enhanced commercial terms.

2. *Over 90% of Concession Space where Passengers are Most Relaxed.* Industry metrics confirm that passengers are more inclined to spend when they are past the stress of the security screening process. Approximately 95% of the commercial space in the New Terminal B Facilities will be located after the passenger security checkpoints in the headhouse and in the concourses (as opposed to approximately 30% post-security in the Existing Terminal B), therefore encouraging greater passenger spending. A number of retail and food and beverage units will be allocated pre-security to meet the needs of employees and non-flying users of the New Terminal B (well-wishers, meeters and greeters).

3. *Over 70% of Concessions in the Headhouse.* The majority of the concession program will be located in the headhouse, through which all passengers will flow, whether arriving or departing. With clear sight lines, all offerings are expected to be visible so that passengers will have the opportunity to make easy, informed decisions. A common-use business lounge is a planned feature in the departure lounge, including ample and varied seating areas and charging stations. Cafés and retail stores, with exciting views to the airfield, coupled with a vibrant, central event area, are designed make the departure lounge feel like an exciting, park-like space.

4. *Something for Everyone within Specific Zoning.* The layout and mix of concession concepts in the departure lounge will be organized in zones to orient passengers, depending on their preferences, to complementary stores. Grouping relevant offers, based upon traveler type, will reinforce the impact of the zones, encourage cross-selling between units and increase passenger convenience as they select the most relevant zone in which to dwell and shop.

5. *Reinvented Concourses Will Offer Integrated Seating, Retail and Amenities.* Two glass-enclosed bridges will connect the central core to the concourses. Set against a backdrop of the iconic New York City skyline in the distance, the aircraft taxiing beneath will extend the energy from the core to the

gates. In the concourses, passengers are expected to have a clear line of sight to their gates with a further selection of restaurants, retail stores and amenities.

For further information about anticipated concessions subleases in the New Terminal B Facilities, see APPENDIX B-1 – “REPORT OF THE AIRPORT CONSULTANT” and APPENDIX B-5 – “REPORT OF THE CONCESSION FORECAST CONSULTANT.”

### **Additional Non-Aeronautical Revenues**

Besides concession sublease rentals, certain additional revenues are also generated in the Existing Terminal B and are anticipated to be generated in the New Terminal B, including from advertising fees and telecommunication fees (income from which will be shared with the Port Authority), common area maintenance fees, marketing fees, and storage fees for tenant goods. For further descriptions of the concessions program and other non-aeronautical revenues for the Terminal B Facilities, see APPENDIX B-1 – “REPORT OF THE AIRPORT CONSULTANT” and APPENDIX B-5 – “REPORT OF THE CONCESSION FORECAST CONSULTANT.”

## **PART 14 – THE CONSULTANTS’ REPORTS**

Ricondo & Associates, Inc. (the “Airport Consultant”) prepared the Report of the Airport Consultant, which reviews projected Terminal B revenues and rates and charges, included in this Official Statement as APPENDIX B-1. See APPENDIX B-1 – “REPORT OF THE AIRPORT CONSULTANT.”

The Airport Consultant Report must be read in its entirety and any summary herein is qualified in its entirety to such report. The Airport Consultant has projected future revenue collections from the fiscal year ending December 31, 2016 through the fiscal year ending December 31, 2025 (the “Projection Period”). The Airport Consultant has projected future expenses of the operation of the Existing Terminal B and the New Terminal B through the Projection Period. The Airport Consultant has classified these expenses for each year, as: (i) operation and maintenance of the Existing Terminal B and the New Terminal B, (ii) asset repair and replacement of the Existing Terminal B and the New Terminal B, (iii) satisfying the Operation and Maintenance Reserve Requirement and the Major Maintenance Requirements, (iv) paying rents due to the Port Authority, (v) amortizing the Equity Investment, and (vi) paying debt service on the Series 2016 Bonds.

The Airport Consultant has concluded that (i) Terminal B revenues will be sufficient to comply with the Rate Covenant in each year of the Projection Period and (ii) Terminal B airline rates and charges should remain reasonable as compared with those at other large-hub U.S. airport terminals and their respective markets.

While the Report of the Airport Consultant does not consider the possibility that the Borrower may provide certain future annual payment adjustments for airline users of the New Terminal B Facilities based on a percentage of the Borrower’s concession revenues in the preceding calendar year, as currently contemplated by the Borrower’s Term Sheet with various prospective airline users of the New Terminal B Facilities (see “PART 12 – AERONAUTICAL REVENUES – New Terminal B Facilities and New Airline Subleases”), the Borrower does not believe that any such adjustments will materially adversely affect its compliance with the Rate Covenant. The amount of Borrower revenues in any calendar year that are to be made available for airline payment adjustments in the following year (referred to as the “Airline Amount” under the Lease Agreement) would be transferred to the Airline Discount Account under the Collateral Agency Agreement in the accruing calendar year for subsequent transfer into the Post-Substantial Completion Revenue Account with Project Revenues for the following year to offset any

airline payment adjustments to be provided in such year. See “PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT – Flow of Funds Post-Substantial Completion.”

BTY Group (the “Lenders’ Technical Advisor”) prepared its report, which reviews the technical aspects of the Construction Project and supporting information provided by the Borrower, included in this Official Statement as APPENDIX B-2. See APPENDIX B-2 – “REPORT OF THE LENDERS’ TECHNICAL ADVISOR.”

INTECH Risk Management GmbH (the “Insurance Consultant”) prepared the Report of the Insurance Consultant, which reviews the insurance provisions for the Borrower and the Work, included in this Official Statement as APPENDIX B-3. See APPENDIX B-3 – “REPORT OF THE INSURANCE CONSULTANT.”

Oliver Wyman (the “Airline Traffic Forecast Consultant”) prepared the Report of the Airline Traffic Forecast Consultant, which reviews projected airline traffic for Airport and Terminal B, included in this Official Statement as APPENDIX B-4. See APPENDIX B-4 – “REPORT OF THE AIRLINE TRAFFIC FORECAST CONSULTANT.”

Pragma Consulting (the “Concession Forecast Consultant”) prepared the Report of the Concession Forecast Consultant, which reviews projected revenues from concessions at Terminal B, included in this Official Statement as APPENDIX B-5. See APPENDIX B-5 – “REPORT OF THE CONCESSION FORECAST CONSULTANT.”

All of these reports should be read in their entirety by potential investors in the Series 2016 Bonds.

(Remainder of Page Intentionally Left Blank)

The following table sets forth the Airport Consultant's projections of revenues and expenses over the Projection Period, as well as the projected debt service coverage.

<b>Revenues, Expenses and Debt Service Coverage for the Projection Period (Fiscal year ending December 31)</b>										
	<b>2016<sup>1/</sup></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Project Revenues</b>										
Existing Terminal B Airline Revenues	\$28,733	\$49,932	\$45,109	\$35,579	\$14,267	\$6,000	\$495	\$0	\$0	\$0
New Terminal B Airline Revenues	0	0	13,166	38,702	131,653	160,034	198,583	213,268	222,894	229,828
Direct Airline Charges - New Terminal B	0	0	2,212	4,978	7,207	9,573	19,855	22,817	23,584	23,943
Non-Airline Revenues - Existing Terminal B	8,226	15,637	15,307	14,842	5,810	3,371	0	0	0	0
Non-Airline Revenues - New Terminal B	0	0	1,476	3,371	25,145	33,714	38,905	42,262	43,601	44,942
Interest Earnings from Substantial Completion	0	0	0	0	0	0	630	1,749	1,970	2,139
<b>Total Project Revenues</b>	<b>\$36,959</b>	<b>\$65,569</b>	<b>\$77,270</b>	<b>\$97,472</b>	<b>\$184,081</b>	<b>\$212,692</b>	<b>\$258,467</b>	<b>\$280,096</b>	<b>\$292,049</b>	<b>\$300,852</b>
Less:										
O&M Expenses - Existing Terminal B	\$32,436	\$36,083	\$43,179	\$34,297	\$20,879	\$11,417	\$477	\$0	\$0	\$0
O&M Expenses - New Terminal B	128	326	6,545	15,023	49,962	63,142	77,770	80,608	82,374	85,604
O&M Reserve Account	0	0	0	0	0	0	518	515	1,267	564
Major Maintenance and Renewal Account	0	0	0	0	0	0	406	1,698	2,013	4,345
Base Rent	8,750	15,000	15,000	15,000	15,300	15,606	15,918	16,236	16,561	16,892
1st additional rent	0	0	0	0	0	0	500	500	500	500
Total Senior Lien Bond Debt Service	0	0	7,473	23,120	83,613	101,141	117,303	124,728	131,956	134,328
<b>Total Expenditures</b>	<b>\$41,315</b>	<b>\$51,409</b>	<b>\$72,197</b>	<b>\$87,439</b>	<b>\$169,755</b>	<b>\$191,306</b>	<b>\$212,892</b>	<b>\$224,286</b>	<b>\$234,671</b>	<b>\$242,234</b>
Working capital	(\$10,682)	(\$250)	(\$3,671)	(\$1,793)	(\$18,537)	(\$541)	(\$8,640)	(\$2,985)	(\$1,869)	(\$1,575)
Movement in reserve accounts during construction	15,117	(4,604)	5,750	(1,204)	17,304	1,939	0	0	0	0
<b>Net Remaining Revenue</b>	<b>\$79</b>	<b>\$9,306</b>	<b>\$7,152</b>	<b>\$7,036</b>	<b>\$13,093</b>	<b>\$22,785</b>	<b>\$36,936</b>	<b>\$52,825</b>	<b>\$55,509</b>	<b>\$57,043</b>
<b>Coverage Calculation</b>										
Total Revenue	\$36,959	\$65,569	\$77,270	\$97,472	\$184,081	\$212,692	\$258,467	\$280,096	\$292,049	\$300,852
Total Expenditure (excl. Debt Service)	41,315	51,409	64,724	64,320	86,142	90,165	95,589	99,558	102,715	107,906
Working capital	(10,682)	(250)	(3,671)	(1,793)	(18,537)	(541)	(8,640)	(2,985)	(1,869)	(1,575)
Movement in reserve accounts during construction	15,117	(4,604)	5,750	(1,204)	17,304	1,939	(0)	0	0	0
<b>Net Revenue</b>	<b>\$79</b>	<b>\$9,306</b>	<b>\$14,625</b>	<b>\$30,155</b>	<b>\$96,706</b>	<b>\$123,925</b>	<b>\$154,239</b>	<b>\$177,553</b>	<b>\$187,465</b>	<b>\$191,371</b>
Total Senior Lien Bond Debt Service								\$124,728	\$131,956	\$134,328
<b>Senior Lien Debt Service Coverage (1.25x)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1.42</b>	<b>1.42</b>	<b>1.42</b>

<sup>1/</sup> Reflects partial year data beginning from the assumed financial close (June 2016).

Source: Societe Generale; WJ Advisors LLC; Ricondo & Associates, Inc.; Pragma Consulting, April 2016.

Prepared by: Ricondo & Associates, Inc., April 2016.

**PART 15 – DEBT SERVICE REQUIREMENTS FOR THE SERIES 2016 BONDS**

<b>Fiscal Year Ending December 31</b>	<b>Series 2016A Principal Payments<sup>1</sup></b>	<b>Series 2016A Interest Payments<sup>1</sup></b>	<b>Series 2016B Principal Payments<sup>1</sup></b>	<b>Series 2016B Interest Payments<sup>1</sup></b>	<b>Total Debt Service on the Series 2016 Bonds</b>
2016	\$ ---	\$ 62,505,698	\$ ---	\$ 3,011,307	\$ 65,517,005
2017	---	107,152,625	---	5,162,240	112,314,865
2018	---	107,152,625	---	5,162,240	112,314,865
2019	---	107,152,625	---	5,162,240	112,314,865
2020	---	107,152,625	---	5,162,240	112,314,865
2021	---	107,152,625	---	5,162,240	112,314,865
2022	---	107,152,625	---	5,162,240	112,314,865
2023	---	107,152,625	---	5,162,240	112,314,865
2024	---	107,152,625	15,070,000	5,054,168	127,276,793
2025	---	107,152,625	18,260,000	4,558,231	129,970,856
2026	---	107,152,625	21,630,000	3,933,000	132,715,625
2027	---	107,152,625	25,190,000	3,167,673	135,510,298
2028	---	107,152,625	28,960,000	2,263,561	138,376,186
2029	---	107,152,625	32,940,000	1,200,804	141,293,429
2030	29,290,000	106,900,125	7,950,000	146,002	144,286,127
2031	41,850,000	105,473,225	---	---	147,323,225
2032	46,680,000	103,751,625	---	---	150,431,625
2033	51,770,000	101,834,225	---	---	153,604,225
2034	57,560,000	99,302,125	---	---	156,862,125
2035	63,360,000	96,801,025	---	---	160,161,025
2036	69,340,000	94,207,625	---	---	163,547,625
2037	75,630,000	91,371,825	---	---	167,001,825
2038	82,670,000	87,852,825	---	---	170,522,825
2039	90,270,000	83,858,975	---	---	174,128,975
2040	98,300,000	79,501,175	---	---	177,801,175
2041	106,790,000	74,758,900	---	---	181,548,900
2042	115,880,000	69,506,275	---	---	185,386,275
2043	125,520,000	63,773,900	---	---	189,293,900
2044	135,720,000	57,567,425	---	---	193,287,425
2045	146,510,000	50,859,475	---	---	197,369,475
2046	157,920,000	43,621,250	---	---	201,541,250
2047	170,470,000	35,326,050	---	---	205,796,050
2048	183,940,000	26,202,075	---	---	210,142,075
2049	198,210,000	16,360,688	---	---	214,570,688
2050	<u>212,700,000</u>	<u>6,413,400</u>	<u>---</u>	<u>---</u>	<u>219,113,400</u>
Total <sup>2</sup>	<u>\$2,260,380,000</u>	<u>\$2,950,734,035</u>	<u>\$150,000,000</u>	<u>\$59,470,426</u>	<u>\$5,420,584,461</u>

<sup>1</sup> Includes payments due on January 1 of the following Fiscal Year.

<sup>2</sup> Totals may not add due to rounding.

## **PART 16 – RISK FACTORS**

### **General**

Potential investors should carefully consider the following risk factors and other investment considerations prior to making a decision to purchase Series 2016 Bonds. The following description of certain risk factors is not intended to be, nor can it be, a complete description of all of the general or specific risk factors relating to an investment in Series 2016 Bonds. Additional risk factors relating to the purchase of Series 2016 Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect the payment of the Series 2016 Bonds. This section should be read in conjunction with the rest of the Official Statement, including the Appendices hereto. In addition, although the various risks discussed in this Official Statement are generally described separately, prospective investors of the Series 2016 Bonds should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased.

### **Risks Associated with the Limited Recourse Obligations**

The Series 2016 Bonds are special and limited obligations of the Issuer, payable solely out of the Trust Estate pledged under the Indenture, primarily from payments made by the Borrower pursuant to the Loan Agreements and the Series 2016 Notes. The Borrower will pay its obligations under the Loan Agreements and the Series 2016 Notes primarily from certain revenues (excluding Non-Pledged Receipts) it receives from the operation of the Terminal B Facilities through (i) rates and charges paid by airlines for the lease or use of the Terminal B Facilities and (ii) payments made by providers of concession goods and services at the Terminal B Facilities.

If the Borrower does not, for any reason, receive any of the payments listed above, as applicable, in a timely manner, it may not be able to make payments of the amounts due under the Loan Agreements and the Series 2016 Notes. In such an event, payments of principal or interest on the Series 2016 Bonds may not be made, and the registered owners of the Series 2016 Bonds will not have any recourse to any party other than the Borrower, or, as applicable, to the Collateral, for payment of the amounts then due.

The Borrower is a single-purpose entity, and was formed for the purpose of undertaking the transactions contemplated under the Lease Agreement, including entering into the Lease Agreement and the associated Project Documents and Financing Documents. As such, the Borrower does not expect to own any material assets other than the leasehold interest in the facilities leased to it under the Lease Agreement, its rights under other assets and contracts generally related to such facilities, the Equity Contributions, and amounts on deposit in the relevant Project Accounts in accordance with the Collateral Agency Agreement.

The Borrower's obligations under the Lease Agreement and the Financing Documents are obligations solely of the Borrower and not of any affiliate of the Borrower. No Equity Member of the Borrower has any obligation to contribute additional equity to the Borrower beyond the Equity Contributions or to otherwise provide funds to the Borrower, and the Borrower has no sources of revenue other than from the operation of the Terminal B Facilities. In addition, none of the Equity Members of the Borrower has guaranteed the payment of the Series 2016 Bonds or has any obligation with respect to the payment of the Series 2016 Bonds, nor have the Equity Members of the Borrower pledged their interests in the Borrower to secure the Borrower's obligations under the Lease Agreement or the payment of the Series 2016 Bonds. Therefore, the Borrower's ability to make payments in respect to debt service on the Series 2016 Bonds will depend on the successful construction of the Construction Project and collection of revenues from the operation of the Terminal B Facilities, after the payment of Permitted

O&M Expenses (including Base Rent payable to the Port Authority under the Lease Agreement). The amount of revenues that the Borrower will be able to collect from its operation of the Terminal B Facilities may vary depending on a number of factors, including many that are outside the control of the Borrower, such as adverse conditions affecting the economy generally, the airline industry or other relevant business sectors in particular, or the occurrence of force majeure or other adverse events.

Substantially all of the Borrower's rights under the Lease Agreement and the other Project Documents are being pledged and assigned as security for the Borrower's financial obligations in connection with the Construction Project, but no assurance can be given that the funds available to the Collateral Agent will be sufficient to make all of the payments to be paid from the Collateral, including payment with respect to debt service on the Series 2016 Bonds.

### **Matters Relating to Enforceability of Financing Documents**

The rights and remedies available to the Trustee, the Collateral Agent, the Issuer, and the registered owners of the Series 2016 Bonds upon an event of default under the Indenture, the Collateral Agency Agreement, the Loan Agreements, or other agreements described herein may be affected by applicable statutes and legal doctrines and are in many respects dependent upon regulatory and judicial enforcement actions which are often subject to discretion and delay. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by judicial principles of equity.

#### ***Bankruptcy and Insolvency Risks***

Numerous statutory provisions, including the federal Bankruptcy Code (the "Bankruptcy Code") and state laws affording similar relief to debtors, may result in a stay or otherwise interfere with, delay or permanently impair the ability of the Collateral Agent to obtain payment pursuant to the Loan Agreements and the Series 2016 Notes or to realize upon collateral.

Payments of scheduled principal and interest in respect of the Series 2016 Bonds would likely be adversely affected by a bankruptcy of the Borrower or similar state law proceeding. The delay and consequences of delay in the ability of the Collateral Agent to enforce rights and remedies against the Borrower, including any delay caused by the imposition of any stay under the Bankruptcy Code or state laws affording similar relief, can be significant and can permanently prevent the exercise of rights and remedies by the Collateral Agent against the Borrower. For example, if the Borrower becomes the subject of a bankruptcy proceeding, Section 362 of the Bankruptcy Code operates as an automatic stay of, among other things, any enforcement action by the Collateral Agent to obtain possession of property from a debtor's estate, and may delay or permanently prevent the Collateral Agent from exercising its other rights and remedies, including foreclosure or sale. While relief from the automatic stay to enforce remedies may be requested, consideration of a request to provide relief is highly discretionary with the bankruptcy court and can be denied for a number of reasons, including where the collateral is "necessary to an effective reorganization" of the Borrower.

In addition to impairment of the Collateral Agent's ability to exercise remedies in the event of a Borrower bankruptcy, under the current Bankruptcy Code, the Borrower or its trustee in bankruptcy would be required, within 120 days of the bankruptcy filing, to elect to assume or reject the Lease Agreement. The Borrower may seek an order of the bankruptcy court extending the deadline for another 90 days. Any extensions following the 210-day period must be made with the consent of the Port Authority, as landlord, and approval by the bankruptcy court. The Borrower's failure to assume or reject the Lease Agreement within these timeframes would result in the automatic rejection of the Lease Agreement. As part of the bankruptcy case, the Borrower would have the choice of either (i) assuming

the Lease Agreement and thereby retaining its occupancy rights to the Premises or (ii) rejecting the Lease Agreement and vacating the Premises. Assumption of the Lease Agreement by the Borrower would require that the Borrower (a) cure any defaults under the Lease Agreement, (b) maintain its payment obligations under the Lease Agreement during bankruptcy, and (c) provide assurance of future performance of its obligations under the Lease Agreement.

Under the Leasehold Mortgages the Borrower has agreed to notify the Collateral Agent and to offer to attempt to assign the Lease Agreement to the Collateral Agent (or its designee or nominee) prior to making an application to reject the Lease Agreement but there can be no assurance that such agreement would be enforced by a bankruptcy court. In addition, pursuant to the Leasehold Mortgages the Borrower has agreed that any rejection of the Lease Agreement without a prior offer of assignment to the Collateral Agent (or its designee or nominee) shall be deemed to be an assignment of the Lease Agreement to the Collateral Agent or its designee, at its election, but again there can be no assurance that such agreement would be enforced by a bankruptcy court.

Following any rejection of the Lease Agreement in a bankruptcy of the Borrower, the Port Authority would be required to enter into a new Lease Agreement with the Collateral Agent or its nominee, subject to receipt of all necessary governmental approvals and timely compliance with the applicable provisions of the Lease Agreement. However, if the Borrower does not desire to retain the Premises, in lieu of rejecting the Lease Agreement, it is also possible that a bankruptcy could allow the Borrower to sell its leasehold interest in the Premises under the supervision of the bankruptcy court, in which event the Collateral Agent's security interest would attach to the proceeds of the sale, and the Collateral Agent would be entitled to an unsecured claim against the Borrower for any shortfall between the amounts due under the Loan Agreements and the Series 2016 Notes with respect to the Series 2016 Bonds and the sale proceeds.

With respect to the Loan Agreement and the Series 2016 Notes, in a bankruptcy the Borrower could retain possession of the Premises and seek to reorganize and emerge from bankruptcy, but because of the security provided by the Leasehold Mortgages, the Borrower would be required to pay to the Collateral Agent pursuant to a plan of reorganization, as a secured creditor, the value of the Borrower's leasehold interest in the Premises under the Lease Agreement. Any amounts owed by the Borrower under the Loan Agreements or the Series 2016 Notes with respect to the Series 2016 Bonds in excess of the value of the Borrower's leasehold interest would be treated as an unsecured claim in any such reorganization.

No market valuation of the Borrower's leasehold interest in the Premises has been prepared in connection with the offering of the Series 2016 Bonds, and no representation is made as to what the value of the Premises might be in the future so there can be no assurance regarding the likelihood that a fully secured claim would result in the situations described above. Moreover, the actual valuation of the Borrower's leasehold in the Premises and the appropriate valuation methodology could be issues that a bankruptcy court would review. Prior to the confirmation of a plan of reorganization, the Collateral Agent could also seek to obtain adequate protection payments for the diminution in value caused by the Borrower's use of the Premises during bankruptcy, but there is no assurance that the bankruptcy court would order any immediate payments to the Collateral Agent during the pendency of the case.

A bankruptcy or similar state law proceeding with respect to any airline or concession tenant or user of the Terminal B Facilities could adversely affect the Borrower's revenues and its ability to make timely payments in respect of the Series 2016 Bonds.

A bankruptcy or similar state law proceeding with respect to the Design-Builder or the Manager could adversely affect the Borrower's ability to comply with its obligations under the Lease Agreement.



### ***Legal and Equitable Limitations***

If an Event of Default occurs under any of the Financing Documents, the practical realization of the Collateral Agent's rights will depend on the exercise of various remedies specified in the Financing Documents, and will be subject to the limitations placed on those rights under applicable law and principles of equity. For example, the enforcement of any remedies granted to the Collateral Agent under the Financing Documents may be affected by, among other things, rights or defenses imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction and the exercise of judicial discretion.

### **Additional Senior Bonds**

As is noted elsewhere herein, payments with respect to the Series 2016 Bonds are contingent upon the Borrower making loan payments pursuant to the Loan Agreements and the Series 2016 Notes. The Indenture and the Loan Agreements permit the Issuer to issue, in specific circumstances and provided that any required financial covenants are satisfied, certain additional Senior Bonds for certain purposes. See "PART 3 – SECURITY FOR THE SERIES 2016 BONDS – The Loan Agreements – Additional Bonds" for a description of the applicable circumstances and conditions related to such incurrence of additional Senior Bonds. Any additional Senior Bonds issued would be payable from the revenues on a *pari passu* basis with the Series 2016 Bonds and would also share on an equal basis in the Collateral. Therefore, to the extent that the Borrower's revenues are insufficient to make payments on all of the Issuer's outstanding Senior Bonds, including any additional Senior Bonds, such insufficiency may negatively impact the ability of the Borrower to satisfy its payment obligations under the Loan Agreements and the Series 2016 Notes, and therefore, the payment of principal or interest on the Series 2016 Bonds. Furthermore, during any foreclosure action or other efforts to realize upon the Collateral, or in the case of an early termination of the Lease Agreement, to the extent that the Issuer has issued additional Senior Bonds, registered owners of the Series 2016 Bonds will be required to share the proceeds of the Collateral or any termination payment, as applicable, with a larger group of holders of Senior Bonds, proportionally reducing any claim that the registered owners of the Series 2016 Bonds may have to such proceeds or termination payment amount.

### **Bond Term Substantially Coterminous With Term of Lease Agreement**

The scheduled expiry date of the Lease Agreement and the final maturity date of the Series 2016 Bonds are substantially the same. Should there be an event requiring the exercise by the Collateral Agent of cure rights or other remedial action, there is no absolute right to extend the term of the Lease Agreement in a manner that would permit restructuring of debt to implement a remedy that would permit repayment over a period that is longer than the existing final maturity date of the Series 2016 Bonds.

### **Risks Related to Collateral**

It may be difficult for the Collateral Agent to realize the value of the Collateral, and the proceeds received from a sale of the Collateral may be insufficient to repay the Series 2016 Bonds.

Foreclosure on the Collateral may be subject to perfection and priority issues, the need for third party approvals and consents and to practical problems associated with the realization of the Bondholders' security interest in the Collateral. Foreclosure of the Leasehold Mortgages is available for only certain specified Events of Default under the Leasehold Mortgages and will require the commencement of a legal action as non-judicial foreclosure is not available in New York. Judicial foreclosure is a lengthy process that requires careful compliance with a number of procedural requirements. As a result, realization on the Collateral will likely be subject to significant costs and delays that may adversely affect the Bondholders. In addition, New York law restricts the ability of the holder of a mortgage loan to

simultaneously bring an action on the mortgage debt and to foreclose the mortgage. The enforcement of the Collateral Agent's security interest with respect to the Collateral may not provide sufficient funds to repay all amounts due with respect to the Series 2016 Bonds.

In addition, since the Borrower's principal asset is its rights under the Lease Agreement, there are practical limitations on the exercise of remedies in respect thereof. Under the Lease Agreement, if the Collateral Agent (as the Recognized Mortgagee) acquires the Borrower's interest in the Lease Agreement through foreclosure of the Leasehold Mortgage it must engage a Qualified Terminal Operator with respect to the operations of the Terminal B Facilities and may only further assign the Lease Agreement to a Qualified Terminal Operator who will be required to satisfy certain payment obligations and cure certain outstanding breaches of the Lease Agreement. To constitute a Qualified Terminal Operator, an entity must have sufficient experience, personnel, and financial capacity to operate and maintain the Terminal B Facilities on a basis consistent with the requirements of the Lease Agreement. The number of potential purchasers willing or able to meet these requirements under the Lease Agreement may be limited. Thus, as a practical matter, the Bondholders will have certain limitations on their ability to replace the Borrower as the lessee under the Lease Agreement.

### **Potential Adequacy of Funding Sources**

The Borrower plans to fund a portion of the construction of the Construction Project using funds from a variety of sources other than the Series 2016 Bonds, namely the capital contributions from the Equity Members, contributions expected to be received from the Port Authority, and revenues generated from the operation of the Terminal B Facilities. The funds to be received from the Port Authority must be requested from time to time in accordance with the terms of the Lease Agreement. To the extent that all or a portion of the funds expected to be received from the sources identified above are not received by the Borrower, or to the extent that the Borrower receives all or a portion of such funds later than anticipated, the Borrower's ability to complete the construction of the Construction Project may be limited or delayed, potentially adversely affecting the Borrower's ability to satisfy its payment obligations with respect to the Series 2016 Bonds.

#### ***Multiple Funding Sources***

The Construction Project is a complex construction project comprising a number of different work scopes, such as demolition of Existing Terminal B Facilities, construction of the New Facilities, construction of the New Improvements and construction of the Central Hall. The Construction Project is further complicated by the need to continue operating the Existing Terminal B Facilities, or a combination of portions of the Existing Terminal B Facilities and the New Terminal B Facilities during the construction process. Completion of the Construction Project is scheduled to proceed on a scheduled timeline, with completion deadlines for various components of the Construction Project.

The plan of finance includes funding for the costs of the Construction Project from a number of sources. These include proceeds of the Series 2016 Bonds, Borrower equity, Port Authority Funding, operating revenues, and earnings on invested funds. Risk factors associated with Series 2016 Bond funding are summarized under the heading "RISK FACTORS – Disbursement of Bond Proceeds and Equity" and "– Risks Associated With the Series 2016 Bonds." Certain funding sources, such as Port Authority Funding, are needed by the Borrower to fund specified categories of costs and, under the Lease Agreement, may only be used for such specified costs. Port Authority Funding for PFC Eligible D&C Work will be available, together with proceeds of Series 2016 Bonds, Borrower equity and other funds for design and construction of the New Facilities. Port Authority Funding for the New Improvements and Central Hall will be the only funding available for such work. Operating revenues during the construction period are budgeted to, among other things, cover operating expenses with excess being available for design and construction costs. Should any of these sources fail, or should operating revenues fall short of

projections, operating expenses exceed projections, or project costs exceed projections, including for unexpected events, the project schedule may be disrupted and additional funding may be required.

#### ***Disbursement of Bond Proceeds and Equity***

Access to proceeds of the Series 2016 Bonds and other amounts in the Construction Account to pay Construction Project costs (other than payment of interest on the Series 2016 Bonds) is dependent upon submission of detailed requisitions to the Collateral Agent that have been approved by the Technical Advisor. Such requisitions will be prepared, for the most part, by the Design-Builder and reviewed by the Borrower prior to submission to the Technical Advisor. As a condition of approval of a requisition from the Construction Account the Technical Advisor must certify, among other things, that sufficient funds are available to pay all project costs (including financing costs such as capitalized interest and required transfers to the Debt Service Reserve Account) necessary to achieve Substantial Completion on or prior to the DB Long Stop Deadline, and that Substantial Completion is reasonably expected to be achieved on or prior to the DB Long Stop Deadline.

If there is a dispute among any of the Design-Builder, the Borrower and the Technical Advisor as to the compliance of a proposed requisition with the terms of the various Construction Project contracts and the Collateral Agency Agreement, disbursement of all or a portion of such requisitioned funds may be delayed in whole or part. If the Technical Advisor is unable to certify as to sufficiency of funds available to pay Construction Project costs necessary to achieve Substantial Completion, additional funds may be required. For risk factors relating to the issuance of Additional Bonds, see “PART 16 – RISK FACTORS – Additional Senior Bonds.” If the Technical Advisor is unable to certify as to its reasonable expectation that Substantial Completion is reasonably expected to be achieved on or prior to the DB Long Stop Deadline, construction work on the Construction Project may be stopped unless accommodation can be worked out between the Borrower and the Port Authority.

#### ***Operating Revenues and Operating Expenses Prior to Substantial Completion***

The plan of finance anticipates operating expenses prior to Substantial Completion. These include costs of operating (and providing major maintenance for) the Existing Terminal B Facilities, or portions thereof as such facilities are phased out of operation. As each New Facilities Construction Milestone is achieved, a portion of operations at the Existing Terminal B Facilities will migrate to the New Terminal B Facilities, and operating costs are projected to increase. Similarly, with migration of operations from the Existing Terminal B Facilities to the New Terminal B Facilities, operating revenues are projected to increase. Based on these projections, the Borrower has projected that approximately \$30,000,000 of operating revenues will be available during the construction period and available for re-investment in the Construction Project. No assurances can be made that the projected amounts of operating revenues, operating expenses and amounts available for re-investment will be consistent with the Borrower’s current projections.

#### ***Debt Service Reserve Account Funded Over Time***

The Borrower will be required to transfer funds as each New Facilities Construction Milestone, and then Substantial Completion, is achieved, from the various Sub-Accounts of the Construction Accounts, or other available funds, to the Debt Service Reserve Account. The establishment of the Debt Service Reserve Requirement will occur on established dates, regardless of whether any New Facilities Construction Milestone or Substantial Completion actually occurs on the dates anticipated as of the Issuance Date.

If funds are not available on the dates required to fund the Debt Service Reserve Account because of unanticipated additional construction costs or other reasons, the Debt Service Reserve Account may be funded in lesser amounts than required or may be delayed.

Based on the amortization schedule of the Series 2016 Bonds, the Debt Service Reserve Requirement will increase over time.

### ***Capitalized Interest Is Not Fully Funded at Closing***

Under the Borrower's plan of finance there is no segregated interest account to fully fund interest payments during construction of the Construction Project. It is anticipated that a combination of Series 2016 Bond proceeds, Project Revenues and investment earnings will be used to cover interest payments during such period.

### ***Limited Equity Commitment***

The equity commitment required by be contributed by the Equity Members of the Borrower is limited to \$200,000,000. If any event occurs during the Construction Period that required additional funding, there will be no recourse by the Borrower to the Equity Members for additional equity. No Equity Member will be required to provide additional equity during the O&M Period following Substantial Completion.

### **Actual Results May Differ From Forecasts and Assumptions**

The forecasts and projections, including projections of traffic flows contained in the Report of the Airport Consultant, the Report of the Airline Traffic Forecast Consultant, and the Report of the Concession Forecast Consultant, are based on assumptions that the preparers (and the Borrower) believe are reasonable. Actual results are likely to differ from those projected such that revenues generated from the operation of the Terminal B Facilities may be insufficient to support the Borrower's payment obligations under the Loan Agreements, thereby adversely affecting the repayment of the Series 2016 Bonds. None of the Borrower, the Equity Members, the Port Authority, or any other party assumes any responsibility for the accuracy of such projections. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2016 Bonds are cautioned not to place undue reliance upon the projections contained in this Official Statement.

### **Risks Related to the Lease Agreement**

#### ***Termination Risk under the Lease Agreement***

The Borrower's principal asset is its leasehold interest under the Lease Agreement, including the right to develop, design, construct, operate and maintain the New Terminal B Facilities and to charge, collect and retain revenues from the operation of such facilities until the expiration of the Lease Agreement in December 2050, subject to the terms of the Lease Agreement.

Following the occurrence and during the continuation of certain defaults by the Borrower under the Lease Agreement, the Port Authority is entitled, subject to the provisions of the Lease Agreement including certain cure and step-in rights granted to the Recognized Mortgagee thereunder, to, among other things, terminate the Lease Agreement and repossess and assume control of the Premises, and take certain other actions in accordance with the terms of the Lease Agreement. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement –

Borrower Events of Default” for a description of Events of Default by the Borrower under the Lease Agreement that could give rise to a Port Authority right to terminate the Lease Agreement.

Upon a termination by the Port Authority due to a Borrower Event of Default under the Lease Agreement, the Port Authority will not be required to make any termination payment to the Borrower. The amounts available to the Borrower or the Collateral Agent in such event may be limited to the funds, if any, being held under the Collateral Agency Agreement and may not be sufficient to pay the obligations of the Borrower upon such a termination, including payment with respect to the principal and interest (and premiums or penalties, if any) on the Series 2016 Bonds.

The Lease Agreement also provides that, in certain circumstances other than a Borrower Event of Default, including the occurrence of certain defaults under the Lease Agreement by the Port Authority, the Borrower shall have the right to terminate the Lease Agreement and receive from the Port Authority the Port Authority Termination Sum or the Unamortized Costs Termination Sum, as applicable. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement – Grounds for Termination by the Borrower” for a description of the events entitling the Borrower to terminate the Lease Agreement and recover the Port Authority Termination Sum or the Unamortized Costs Termination Sum, as applicable. In calculating the amount payable, the Port Authority is permitted to net out certain amounts, including amounts in accounts of the Borrower. The amount payable by the Port Authority, being net of these other amounts, may not be sufficient by itself to pay amounts due with respect to the Series 2016 Bonds. No assurance can be given that amounts recovered by the Collateral Agent from these other amounts will be timely or sufficient to permit the payment in full of all amounts needed to discharge all Outstanding Bonds.

***Payment of Termination Compensation Subject to Approval of Port Authority Board of Commissioners***

Determination of the amount of any Port Authority Termination Sum or Unamortized Costs Termination Sum may be subject to the prior written approval of the Board of Commissioners of the Port Authority in certain circumstances if required in accordance with the by-laws of the Port Authority, in which event the Lease Agreement requires that the Port Authority will seek to obtain such approval by the Board of Commissioners in an expeditious and diligent manner. Nonetheless, if such approval by the Board of Commissioners of the Port Authority is required there may be delays in the tender of such amounts to the Collateral Agent. In addition, if such approval for the payment of such amounts is not obtained, the Collateral Agent may be required to seek a final judgment for payment of the Port Authority Termination Sum or Unamortized Costs Termination Sum, as applicable, by a court of competent jurisdiction, for which all rights to appeal have either been exhausted or have expired (in which case approval by the Board of Commissioners is not required).

***Risks Related to Recognized Mortgagee’s Cure Rights***

The Recognized Mortgagee’s exercise of cure and step-in rights following a Borrower Event of Default under the Lease Agreement are subject to compliance with certain conditions under the Lease Agreement, including the payment of certain amounts due and timely action to cure non-monetary defaults. In the case of monetary Events of Default under the Lease Agreement, cure payments must be made within 30 days after the expiration of the Borrower’s cure period under the Lease Agreement.

In the case of non-monetary Events of Default, cures must be effected within 120 days after the expiration of the Borrower’s cure period, subject to extension under certain circumstances but, in all events, subject to compliance with the applicable provisions of the Lease Agreement.

There can be no assurance that the Collateral Agent or its designee or nominee will have access to sufficient funds to timely cure a monetary default or the ability to timely cure a non-monetary default. In the event the Collateral Agent is unable to timely effect a cure the Port Authority has the right to terminate the Lease Agreement. If the Port Authority exercises such right then the Lease Agreement will no longer constitute collateral for the Series 2016 Bonds. The Port Authority will have no payment obligation in respect of the Series 2016 Bonds should that occur.

### ***Political Risk***

As in any commercial arrangement, parties may disagree about the appropriate course of action to be taken, particularly if adverse events occur. The Port Authority and the Borrower have different priorities and interests and may have difficulty in resolving disputes should their interests diverge. Similarly, the Port Authority, as the lessor under the Lease Agreement, and the Trustee, on behalf of the owners of the Series 2016 Bonds, may have different interests and priorities following a default or other adverse event under the Lease Agreement, and no assurance can be given that the Port Authority would be willing or able to take into account the interests of the owners of the Series 2016 Bonds if an event occurs that would entitle the Port Authority to terminate or to take other remedial action under the Lease Agreement.

### ***Governmental Approvals***

Pursuant to the Lease Agreement, the Borrower is responsible for obtaining, furnishing, paying the cost of, and maintaining in full force and effect, all governmental approvals (including environmental permits) required for the Construction Project and the operation and maintenance of the Terminal B Facilities (including any required future capital improvements as those requirements change from time to time), other than those governmental approvals obtained or to be obtained by the Port Authority. With respect to the Construction Project, some of the governmental approvals have been or will be obtained by the Borrower; otherwise, such responsibility has been assumed by the Design-Builder. The Borrower believes all governmental approvals that are necessary for the commencement of the Construction Work have been obtained or will be obtained prior to execution of the Lease Agreement. The Borrower does not currently anticipate any delays or difficulties in obtaining or maintaining any such governmental approvals as and when the same are required pursuant to the Lease Agreement; however, no assurance can be given that either the Borrower or the Design-Builder will be able to obtain and maintain the applicable governmental approvals. Although a failure or delay in obtaining governmental approvals due to certain failure or delay by the Port Authority constitutes a Compensation Event and Delay Event under the Lease Agreement, most delays or failures – particularly those attributable to the Borrower or the Design-Builder – are not covered. A failure by the Borrower or the Design-Builder to obtain and maintain any necessary or required governmental approvals, to the extent that the schedule, cost or revenue impact on the Construction Project or the operation and maintenance of the New Terminal B Facilities as a result of such failure is not accommodated for under the Lease Agreement, could prevent or delay commencement of Design Work or Construction Work with respect to the Construction Project, the operation of the Terminal B Facilities or the construction of future capital improvements, could impose additional costs on the Borrower, could result in a decrease in the operational revenues received by the Borrower and/or could provide the Port Authority with the right to terminate the Lease Agreement, all of which could adversely impact the Borrower's ability to make payments of debt service on the Series 2016 Bonds.

### ***Port Authority Right to Withhold Certain Port Authority Funding Amounts***

The Lease Agreement provides that, beginning about eighteen months after the commencement of the Lease Agreement, the disbursement of certain amounts of Port Authority Funding that might otherwise be available for payment to the Design-Builder with respect to DB D&C Work for the

Demolition Facilities and the New Facilities may be subject to holdback by the Port Authority if the Borrower fails to achieve certain construction milestones mutually agreed between the Borrower and the Port Authority on each of two consecutive semi-annual testing dates. Prior to the partial completion of the headhouse, the amount that could be subject to holdback cannot exceed half of the Port Authority Funding with respect to DB D&C Work for the Demolition Facilities and the New Facilities invoiced to be paid over a six month period (anticipated to be approximately a \$67,000,000 maximum holdback amount). After partial completion of the headhouse, the maximum amount subject to holdback would be 25% of the Port Authority Funding with respect to DB D&C Work for the Demolition Facilities and the New Facilities invoiced to be paid over a six month period (anticipated to be about a \$16,000,000 maximum holdback amount)

If the Port Authority does withhold payments of such Port Authority Funding amounts with respect to DB D&C Work for the Demolition Facilities and the New Facilities, in order to avoid a payment default under the Design-Build Contract the Borrower may need to use the proceeds of the Series 2016 Bonds or of Equity Contributions earlier than expected to provide funds to the Design-Builder in lieu of the Port Authority with respect to the DB D&C Work completed by the Design-Builder but for which Port Authority Funding is not available due to the holdback. Such amounts withheld by the Port Authority would be available for disbursement to the Design-Builder for payment with respect to future requisitions for Port Authority Funding related to the Demolition Facilities and the New Facilities once the applicable construction milestones are achieved. However, such earlier use of funds by the Borrower may result in the Borrower temporarily having fewer funds available to it for operation of the Terminal B Facilities and payment of debt service on the Series 2016 Bonds than provided in the Borrower's current projections.

### **Risks Related to the City Lease**

The Lease Agreement is subject to the City Lease. The City of New York has the right to terminate the City Lease if the Port Authority fails to meet its payment or certain other obligations under the City Lease, and neither the City of New York, nor the Port Authority is making any representation or warranty concerning the effectiveness of the City Lease subsequent to the issuance of the Series 2016 Bonds. An early termination of the City Lease while the Series 2016 Bonds are outstanding would result in the loss of the Port Authority's rights with respect to the Airport, termination of the Lease Agreement (or any successor lease), termination of the Borrower's (or any successor lessee's) interests in the Premises, and termination of the Leasehold Mortgages. If the City Lease is terminated due to the failure of the Port Authority to meet certain obligations under the City Lease (provided that such failure was not due to a failure of the Borrower to comply with its obligations under the Lease Agreement) or pursuant to an amendment, restatement, modification or addition to the City Lease, the Port Authority will be obligated, subject to approval by the Port Authority's Board of Commissioners, to make a termination payment to the Borrower. Such termination payment will not be due and payable if: (i) the Borrower enters into a lease agreement with the City of New York or a successor or permitted assignee of the Port Authority on substantially similar terms as the Lease Agreement or (ii) the Borrower enters into an agreement with the City of New York that either reinstates the Lease Agreement or provides for another lease agreement on substantially similar terms as the Lease Agreement. In the event the City Lease is terminated for any other reason, it would be unlikely that funds would be available to repay any outstanding Series 2016 Bonds since the City of New York would be under no obligation to continue to grant the Borrower (or any successor lessee) any ongoing interest in the Premises or to recognize any interest that the Collateral Agent (as mortgagee under the Leasehold Mortgages) may otherwise have had with respect to the Premises. Accordingly, no assurances can be given that the City Lease will remain in effect for the full term of the Lease Agreement or the Series 2016 Bonds or that the Series 2016 Bonds could be repaid if they City Lease is terminated.

## **Risks Related to Operations at the Airport During Construction**

The Airport in general and the Existing Terminal B Facilities in particular are heavily used and are congested as a result of spatial and scheduling constraints. Pursuant to the Lease Agreement, operations at the Terminal B Facilities must be maintained during construction, and the Borrower intends to follow a phasing plan and certain transition principles to transition operations from the Existing Terminal B Facilities to the New Terminal B Facilities in several phases as construction of different elements of the New Terminal B Facilities are completed. See “PART 7 – THE CONSTRUCTION PROJECT.” The phasing plan will require certain areas of the Existing Terminal B Facilities to be vacated by current users at specified times to enable construction in such areas to begin. If the applicable facilities are not vacated when anticipated, or if other complications disrupt the interface between the Construction Work and the on-going operations of the Terminal B Facilities, such events could result in delays to the Construction Project for which the Borrower is not entitled to payment from the Design-Builder or the Port Authority, or is not entitled to an extension of time to complete the Construction Project (unless such occurrences constituted Compensation Events or Delay Events under the Lease Agreement). See “PART 16 – RISK FACTORS – Risks Related to Construction of the Construction Project – Events That Impact Contract Price or Schedule.” In addition, any such disruption could interfere with the ongoing airline and other operations in the then-operational Terminal B Facilities, potentially negatively impacting the Borrower’s revenues and its ability to operate such facilities in accordance with the requirements of the Lease Agreement. Although the Borrower has sought to reduce the possibility of any such disruption by generally planning to complete Construction Work in enclosed areas of the Airport (segregated from areas being used for ongoing Airport operations) and carefully planning the sequencing of the New Facilities Construction Milestones, there can be no assurance that such a disruption will not occur or that the Borrower would be able to address and remediate any such disruption before it results in adverse consequences under the Lease Agreement or negatively impacts the Borrower’s business, financial condition and results of operations.

## **Risks Related to Construction of the Construction Project**

### ***Events That Impact Contract Price or Schedule***

Pursuant to the terms and conditions of the Lease Agreement, the Borrower is obligated to achieve Partial Completion of each New Facilities Construction Milestone, Substantial Completion and Final Acceptance by certain designated deadlines, as they may be extended under certain circumstances in accordance with the Lease Agreement. Pursuant to the Design-Build Contract, the Design-Builder has agreed to comply with such deadlines as they relate to the DB D&C Work required to be undertaken by the Design-Builder under the Design-Build Contract. See “PART 7 – THE CONSTRUCTION PROJECT” and “PART 10 – THE DESIGN-BUILD CONTRACT” for a further description of the applicable construction deadlines, as well as for a description of the obligations of the Design-Builder.

The Construction Project is a significant design and construction endeavor, with multiple milestones and a schedule that contemplates completion in phases, as more particularly described in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project.” As with any major construction effort, the Construction Project involves many risks that could result in cost overruns, in delays or in a failure to complete the Construction Project. Challenges to achieving Partial Completion, Substantial Completion and Final Acceptance on time and within budget might include, among others, shortages of materials and labor, work stoppages, labor disputes, bad weather, floods, earthquakes and other casualties, unforeseen engineering, environmental or geological problems, and third-party litigation (including protests or litigation about noise or vibrations that affect business owners or residents). Any of these events could increase the costs of or result in delays in the Construction Project.



In addition, given the complexity of the Construction Project (including the phasing thereof) and also the scope of the other activities that are expected to take place at the Airport during the same time period, including the Supporting Projects and the Other Redevelopments (see “PART 7 – THE CONSTRUCTION PROJECT”), lack of sufficient and effective coordination among the Borrower, the Design-Builder, the Port Authority and other relevant third-parties (including, in particular, Delta Air Lines with respect to the Other Redevelopments and the airlines and other tenants with respect to their timely relocation from the existing Terminal B to the New Terminal B) or the failure of any such party to comply with its obligations with respect to such coordination or to complete its work (or necessary inspections or approvals) in a timely fashion could also result in such cost overruns or delays.

The Lease Agreement allocates certain of these risks, particularly as they relate to Compensation Events that impact the cost of the Construction Project, to the Port Authority. The Design-Build Contract, which is a fixed-price contract, also allocates a number of these risks to the Design-Builder. Except where attributable to a Developer Act or a Developer Suspension, the risks resulting from the possible negative revenue impact related to Delay Events that result in delays in achieving New Facilities Construction Milestones or Substantial Completion (under which circumstances Delay LDs are payable by the Design-Builder), completion of the DB D&C Work on schedule and on budget generally and free of DB Work Defects, and compliance of the DB D&C Work with Applicable Laws and Applicable Standards have been allocated to the Design-Builder if the impact of such risks is not otherwise recoverable from the Port Authority. In the event, however, of a price or schedule adjustment that is attributable to a Developer Act or a Developer Suspension, such risk is borne by the Borrower with respect to the entire Construction Project – including the New Improvements and the Central Hall.

The aggregate amount of Delay LDs the Design-Builder could be required to pay in connection with a failure to achieve a New Facilities Construction Milestone or Substantial Completion in a timely manner is subject to a limitation of eight percent of the Contract Price. In addition, the Design-Builder may be relieved from its obligation to pay Delay LDs in the event of a Developer Act or a Developer Suspension. Furthermore, the Design-Builder has not waived its rights to contest a demand for payment of Delay LDs. There can be no assurance that contingency funds, insurance proceeds and/or other available funds will be sufficient should delays occur or should the Borrower have payment obligations that are not satisfied by or the responsibility of the Design-Builder under the Design-Build Contract or the Port Authority under the Lease Agreement.

Any delay in achieving a New Facilities Construction Milestone, Substantial Completion or Final Acceptance by the relevant deadline, increased costs or defect with respect to the Construction Project for which the Borrower does not have sufficient remedy against the Design-Builder under the Design-Build Contract or for which the Borrower does not have a right to claim a Delay Event or Compensation Event under the Lease Agreement may adversely impact the business and operations of the Borrower and, possibly, the Borrower’s ability to make payment of debt service on the Series 2016 Bonds. In addition, the failure to comply with the terms of the Lease Agreement as a result of a delay in reaching Substantial Completion (which excludes completion of the Central Hall) by the Long Stop Deadline (i.e., 365 days after the Guaranteed Substantial Completion Date) or Final Acceptance (including completion of the Central Hall) by the Guaranteed Final Acceptance Date could result in the Port Authority having the right to terminate the Lease Agreement under certain circumstances. See “– Risks Related to the Lease Agreement – Termination Risk under the Lease Agreement” above.

### ***Reliance on Performance by Design-Builder***

The Design-Build Contract is generally structured to pass through to the Design-Builder, on a back-to-back basis, all of the Borrower’s obligations and risks under the Lease Agreement with respect to the Construction Project. See “PART 10 – THE DESIGN-BUILD CONTRACT – Back-to-Back Obligations.” In the event that the Design-Builder does not satisfy its obligations under the Design-Build

Contract, the Borrower might be at risk of default under the Lease Agreement and could be exposed to claims by the Port Authority. Moreover, while the Borrower may be entitled to receive compensation from the Design-Builder for certain delays, defects or other defaults under the Design-Build Contract, the Design-Builder could fail to compensate the Borrower for such delays, defects or other defaults and the D&C Guarantors could fail to honor their payment obligations under the D&C Guarantees. In some circumstances, termination of the Lease Agreement could result from such non-compliance by the Design-Builder. See “– Risks Relating to the Lease Agreement – Termination Risk under the Lease Agreement” above.

Pursuant to the Design-Build Contract, the maximum aggregate liability of the Design-Builder to the Borrower under such circumstances is generally limited to an amount equal to forty percent of the sum of the Contract Price until Partial Completion of the first, second and third New Facilities Construction Milestones and, thereafter, to an amount equal to thirty percent of the sum of the Contract Price. See “PART 10 – THE DESIGN-BUILD CONTRACT – Limitation of Liability.” If losses by the Borrower as a result of the Design-Builder’s failure to satisfy its obligations are not recoverable from the Design-Builder or are in excess of such limitation on liability, the Borrower might not have sufficient funds available to satisfy its corresponding obligations under the Lease Agreement and the Borrower’s ability to make timely payment of debt service on the Series 2016 Bonds could also be adversely affected.

### **Risks Related to Changes in Law and Applicable Standards Changes**

The obligations of the Borrower under the Lease Agreement and in connection with the financing thereof are subject to various laws, policies and regulations, including, among others, laws governing environmental protections and tax policies. Changes in such laws, policies or regulations could negatively impact the cost and schedule related to the Construction Project, the Borrower’s ability to fulfill its Operations and Maintenance Work obligations under the Lease Agreement and the Borrower’s business, financial condition and results of operations. Under the Lease Agreement, only certain Changes in Law and Applicable Standards Changes qualify as Compensation Events which entitle the Borrower to compensation and, with respect to the Operations and Maintenance Work in particular, such entitlement is further limited to apply only to certain Discriminatory Changes in Law and Discriminatory Applicable Standards Changes. See “PART 8 – THE LEASE AGREEMENT – Compensation Events” and “– Delay Events.” If (i) any such new or amended laws, policies or regulations require the Borrower to expend additional funds or adversely affect the Borrower’s revenues and (ii) the Lease Agreement does not treat such new or amended laws, policies or regulations as Compensation Events, such changes could adversely impact the Borrower’s ability to pay debt service on the Series 2016 Bonds.

### **Risks Related to Certain Environmental, Health and Safety Considerations**

As with any project of this size and nature, the Construction Project and Operations and Maintenance Work are subject to numerous statutes, rules and regulations relating to environmental protection and the safety and health of employees and the public during its construction and operation, including: standards relating to the discharge or release of hazardous and other regulated substances to the air, water and land, and the identification, generation, storage, handling, transportation, disposal, record keeping, labeling, reporting, emergency response and investigation, remediation or cleanup in connection with hazardous and toxic materials or other substances associated with the facility; limits on noise emissions; and safety and health standards, practices and procedures. Compliance with such requirements may impose significant additional costs on the Construction Project and Operations and Maintenance Work. Failure to comply with any such statutes, regulations and directives or any permits required thereunder could have adverse effects on the Construction Project and Operations and Maintenance Work, including civil or criminal liability, imposition of environmental liens and fines and expenditures of funds to bring the Construction Project and Operations and Maintenance Work into compliance. In addition, changes in existing laws or regulations could have an adverse effect on the Construction Project and

Operations and Maintenance Work. The Design-Build Contract allocates a number of these risks with respect to the Construction Project to the Design-Builder (see “– Risks Related to the Construction Project” above).

In addition, soil and groundwater at the Terminal B Facilities have been affected by releases of petroleum hydrocarbons and contaminants, primarily relating to the use of underground fuel storage tanks. Several areas within the Terminal B Facilities footprint have been the subject of remediation to address such releases; however, it is anticipated that contamination will be encountered during the course of excavation for the Construction Project. The Construction Project budget has addressed the potential costs of soil and groundwater contamination encountered during construction. However, the presence of contamination could have an adverse impact on the Construction Project schedule or on the costs associated with the Operations and Maintenance Work at the Airport.

### **Risks Related to Flood Risk and Possible Sea-Level Rise**

The Airport suffered severe flooding and damage to key electrical airfield infrastructure during Hurricane Sandy, requiring the closure of the Airport for three days. In 2015 the Airport received a grant of approximately \$28,000,000 to help construct floodwalls, develop gravity drainage systems, upgrade the Airport’s backup electrical substations, and improve and install backup generators. Construction of new floodwalls is scheduled to be completed in the fourth quarter of 2016, and contracts for the construction of emergency storm drainage outfalls and the design of emergency generators and supervisory control and data systems are expected to be awarded in 2016.

Under the 2014 New York State Community Risk and Resiliency Act, the State Department of Environmental Conservation (DEC) was required to adopt science-based sea-level rise projections and to provide guidance to help State agencies apply these projections. In late 2015, DEC proposed regulations setting forth its projections, which project a sea-level rise in New York City, relative to a 2000-2004 baseline, of 11 inches by the 2050s and 18 inches by the 2080s, in a likely case scenario. The Construction Project will be designed and constructed consistent with applicable building codes and Port Authority guidelines to take into account floodplain elevations and sea level rise in order to protect the New Terminal B Facilities from flooding to the extent practicable. Despite these flood mitigation efforts, flooding events due to extreme weather or higher than expected sea-level rise could adversely affect the Construction Project and the Operations and Maintenance Work.

### **Risks Related to Damage or Destruction of the Terminal B Facilities and Adequacy of Insurance**

The Borrower is obligated under the Lease Agreement to obtain and keep in force comprehensive insurance, including all-risk property damage insurance covering the full replacement cost of the Terminal B Facilities and, for as long as it is demised under the Lease Agreement, the Central Hall. See APPENDIX B-3 – “REPORT OF THE INSURANCE CONSULTANT.” In the event, however, that the insurance required under the Lease Agreement is not available at commercially reasonable rates, the requirements for the applicable coverage may be reduced pursuant to a procedure provided for in the Lease Agreement. As of the Issuance Date, the Borrower and the Port Authority have agreed that terrorism and flood insurance are not available for full replacement value at a commercially reasonable cost and have agreed to initial coverage of \$2,000,000,000 for terrorism coverage and \$500,000,000 for flood coverage. The insurance required under the Financing Documents incorporates the requirements of the Lease Agreement, including any reduction in coverage due to commercial unavailability.

The proceeds of casualty insurance may only be used to repair or replace the Terminal B Facilities or, if applicable, the Central Hall, and such proceeds will not be available under the Lease Agreement for repayment of the Series 2016 Bonds. There can be no assurance that such comprehensive insurance coverage will be available in the future on commercially reasonable terms or that the amounts

for which the Borrower is insured or amounts that the Borrower receives under such insurance coverage will be sufficient to rebuild any damaged facility to the condition, capacity, or efficiency of the previously-existing facility.

Under the Lease Agreement, if, following a casualty event (other than a casualty event resulting from the gross negligence or willful misconduct of the Borrower or a contractor of the Borrower), insufficient insurance proceeds are received by the Borrower to reconstruct the damaged facility in accordance with the original plans and specifications for such facility, the Borrower will promptly propose, and the Port Authority will consider, a plan (i) to rebuild a modified facility that is as close as practicable to having comparable operating capacity, efficiency and functionality as the damaged facility, and (ii) to modify the Lease Agreement as may be required in light of the modifications to the affected facility.

There can be no assurance that any modified facility rebuilt pursuant to agreement by the Borrower and the Port Authority as a result of insufficient insurance proceeds will be able to produce sufficient revenues to enable the Borrower to meet its payment obligations with respect to the Series 2016 Bonds.

### **Risks Relating to No Title Insurance; No Legal Description**

No mortgagee title insurance will be obtained with respect to the Building Loan Leasehold Mortgage or the Project Loan Leasehold Mortgage. Accordingly, there is no direct source of payment to cover defects in title or intervening liens, including any mechanics liens that may arise during construction, nor is there any third party obligated to defend the respective liens of the Leasehold Mortgages. In addition, if recording of the Leasehold Mortgages is delayed, there is no protection against liens, judgments or other encumbrances that might arise prior to the acceptance of the Leasehold Mortgages for recording by the City Register.

The Lease Agreement is expected to describe the Premises by reference to certain diagrams rather than a metes and bounds legal description. Accordingly, unless a metes and bounds description becomes available, the Leasehold Mortgages will be recorded against the tax block and lot of the Airport and will include those diagrams to indicate the portion of the Airport covered by the Lease Agreement and the Leasehold Mortgages. Without a more precise legal description of the Premises no assurance can be given that recording will provide adequate notice of the boundaries of Collateral Agent's interest in the Premises under the Leasehold Mortgages. As a result, other parties may not be precluded from asserting claims with regard to portions of the Premises.

### **Risks Related to New York Lien Law; Effect of Failure to Comply**

Under the New York Lien Law mechanics' liens filed by contractors, suppliers or others granted lien rights under the Lien Law may take priority over certain mortgages, even if the mortgages were recorded prior to the filing of such mechanics liens. The lien priority of mortgages securing certain construction-related costs may be protected against such subsequently filed liens if certain requirements are met. Among the requirements under Section 22 of the Lien Law are the filing of an affidavit setting forth the consideration for the loan and the net amount available for "costs of the improvement" as defined in the Lien Law, filing of a building loan contract in the county clerk's office prior to the recordation of the mortgage securing such amount, and filing any modification to the building loan contract within 10 days after the execution of any such modification. The failure by the Borrower and the Collateral Agent to comply with the applicable provisions of the New York Lien Law could result in the lien of the Building Loan Mortgage becoming subordinated to mechanics, materialman's and other intervening lienors.

## **Risks Related to Exemption From Mortgage Recording Tax**

New York State imposes a tax on the recording of mortgages. The tax is payable at the time of recording. In the event that a mortgage gets recorded without payment of the proper mortgage recording tax then neither the mortgage nor the obligations it secures can be enforced until the tax and any accrued interest and penalties are paid.

Based on a mortgage recording tax exemption cited in advisory opinions rendered to local development corporations organized under the same statute as the Issuer and common practice, the Leasehold Mortgages will be submitted for recording without payment of mortgage recording tax.

There can be no assurance that governmental authorities will not challenge the mortgage recording tax exemption asserted in respect of the Leasehold Mortgages in a subsequently conducted audit or otherwise. If it is determined that such taxes are or were payable the Borrower will be obligated pay them but no Borrower funds are currently budgeted for this contingency.

## **Certain Airport Regulatory Considerations**

### ***General***

The Port Authority and the Airport are subject to various federal statutory, regulatory and contractual requirements concerning the lease, construction and operation of the Existing Terminal B Facilities and the New Facilities at the Airport.

It is not possible to predict whether future legislation, regulations, policies, orders, restrictions or limitations on the Airport, the Construction Project, or operation of the Terminal B Facilities will be imposed. Each could be adversely affected if statutory or regulatory changes are implemented that (i) impose more comprehensive or stringent restrictions or requirements on the Airport and on the Airport's facilities, or (ii) otherwise impair the Borrower's ability to operate the Existing Terminal B Facilities or the New Terminal B Facilities.

### ***Available Slots***

Based on the significant demand for airline service from within the Air Trade Area, as well as the practical limitations affecting the region's air traffic space and the runway capacity at the Airport, the FAA has established limits on the number of flight operations that airlines may schedule during peak operating periods each day at the Airport. The FAA has also established similar types of limitations at each of John F. Kennedy International Airport and Newark Liberty International Airport. On April 1, 2016, the FAA announced that the Order on Operating Limitations for Newark Liberty International Airport will expire on October 29, 2016, thereby relaxing the current limits on the number of flight operations that airlines may schedule during peak operating periods each day at Newark Liberty International Airport, and that, pursuant to separate notices in the Federal Register, the FAA will be extending the O/A Order, as well as the Order on Operating Limitations for John F. Kennedy International Airport until October 27, 2018. As described above under "PART 5 – LAGUARDIA AIRPORT – Passenger and Air Traffic," under the FAA's current O/A Order for the Airport, scheduled flight take-offs and landing Operating Authorizations are allocated to the airlines operating at the Airport by the FAA. In general, airlines with Operating Authorizations may also lease or trade Operating Authorizations with other airlines, following FAA approval, so long as the arrangement does not extend beyond the current expiration date of the O/A Order. Accordingly, for so long as the FAA's current O/A Order or similar flight limitations for the Airport remain in effect, an airline's ability to initiate or increase scheduled service to and from the Airport will necessarily depend upon that airline having or obtaining from the FAA unused or reallocated Operating Authorizations, or being able to obtain leased or traded

Operating Authorizations from other airlines, at its desired operating times. There can also be no assurance given that the FAA or other governmental agencies having jurisdiction will not enact even stricter limitations on flight activity at the Airport in light of the growing demand for air travel in the Air Trade Area and its impact on the region's air traffic space and area airports.

### ***The Perimeter Rule***

In 1984, the Port Authority established what is known as the "perimeter rule" which geographically restricts flight activity at the Airport. Pursuant to this rule, Sunday through Friday nonstop flights are restricted to a distance within 1,500 miles of the Airport, with the exception of flights to and from Denver, Colorado. While the Port Authority initiated a study of possible modifications and/or repeal of the "perimeter rule," it is not possible to predict whether and how any future modification or repeal of the "perimeter rule" would affect air traffic and the operation of the Airport and airline demand for the Terminal B Facilities.

### ***Regulatory Rate Structure Implementation***

The Existing Airline Subleases between the Port Authority and the current airline users of the Terminal B Facilities expired on December 31, 2015, and such airlines have since been operating at the Existing Terminal B Facilities as holdover tenants. The Port Authority and such airlines are negotiating Extension Agreements that would extend the term of the Existing Airline Subleases for six years, and confirm certain rent or fee increases. The extent to which such Extension Agreements will be fully executed and in place by the Issuance Date, however, is uncertain. For a summary of the status of the Airline Subleases at Existing Terminal B, including certain matters relating to the Extension Agreements, see "PART 12 – AERONAUTICAL REVENUES – Existing Terminal B Facilities and Existing Airline Subleases."

The Borrower has been negotiating and continues to negotiate the terms of New Airline Subleases with prospective airline users of the New Terminal B Facilities to govern their use and occupancy of the New Terminal B Facilities. New Airline Subleases, if executed, are expected to have a term of five years following Substantial Completion. No assurances can be provided that the parties will reach agreement on definitive New Airline Subleases, or that any New Airline Subleases would be in effect longer than their initial term.

To the extent that the Borrower is unable to conclude and maintain in effect definitive New Airline Subleases or other satisfactory use or lease agreements with airline users of the Terminal B Facilities, the Borrower expects that it would adopt a Tariff establishing airline rates and charges for the use of the Terminal B Facilities, consistent with applicable law and the FAA Policy. The current FAA Policy and other applicable federal laws generally require that airline rates and charges be fair and reasonable, and non-discriminatory. The current FAA Policy also limits the imposition of airline rates and charges to airline facilities that are built and operating. The current FAA Policy and other applicable federal law do not require a single approach to rate-setting, and rates and charges may be set according to a "residual" or "compensatory" rate-setting methodology, or any combination of the two, or according to another rate-setting methodology, as long as the methodology used is applied consistently to similarly situated users and otherwise conforms to the FAA Policy. A "compensatory" methodology generally refers to arrangements under which an airport operator sets airline rates and charges by reference to the allocable costs of only its airline used facilities, while maintaining full liability for costs of both its airline used and non-airline facilities. A "residual" methodology generally refers to arrangements under which airlines agree to assume part or all of the liability for non-airline facilities, in exchange for a cross-credit of non-airline revenues. The Borrower is currently seeking New Airline Subleases for the New Terminal B Facilities that would generally reflect "compensatory" arrangements. See "PART 12 – AERONAUTICAL REVENUES – New Terminal B Facilities and New Airline Subleases."

Airline rates and charges do not require prior review or approval by the FAA. Rather, the FAA Policy provides that (i) airport facility operators should consult with airlines well in advance, if practical, of introducing significant changes in charging systems and procedures or in the level of charges, (ii) airport operators should provide adequate information to permit airlines to evaluate the operator's proposed justification for the charge and to assess the reasonableness of the proposal, and (iii) airport operators and airlines should consult and make a good-faith effort to reach agreement. Absent agreement, however, airport operators are free to act in accordance with their proposals and impose rates by ordinance, tariff or other unilateral measures, subject to review by the U.S. Department of Transportation or the FAA upon complaint by an airline in accordance with expedited procedures mandated by the FAA Authorization Act of 1994 (the "1994 Act"), the federal act which led to the creation of the FAA Policy. Under the 1994 Act, upon complaint filed with the FAA, any airline user may challenge a new rate or charge imposed upon it without its agreement within 60 days after receiving written notice of the establishment or increase of such newly imposed rate or charge. Thereafter, (a) the Secretary of the U.S. Department of Transportation has 30 days to dismiss the complaint (if he/she finds that no significant dispute exists) or assign the case to an administrative law judge ("ALJ"); (b) the ALJ must submit a recommended decision within 60 days of such assignment; (c) the Secretary has 120 days from the date the complaint is filed to issue a final decision; and (d) any party may seek judicial review of the Secretary's final order in the a federal court of appeals (where no set pre-determined time limits for review or a decision would apply). Under the 1994 Act, the Secretary is empowered only to determine whether a specific fee or fees are reasonable or unreasonable. He or she may not set actual fees. The 1994 Act also provides that any challenged fee must be paid under protest by an air carrier, subject to refund or credit to the air carrier within 30 days of a final order by the Secretary. The airport operator, in turn, must obtain a letter of credit, surety bond or other suitable credit facility acceptable to the Secretary equal to the amount of the disputed fee owing under the 120-day review period. In addition to bringing a complaint under the 1994 Act, one or more airlines could also seek to challenge an airline rate or charge that they have not previously agreed upon by means of certain other administrative proceedings brought before the FAA, or directly through judicial proceedings, but not generally where the rate or fee has been imposed by the airport operator (in which case, the procedure mandated by the 1994 Act would apply).

In the event that a Tariff is established at any time, there can be no assurance that a complaint will not be brought against the Borrower and/or the Port Authority challenging the methodologies of, and the rates and charges established by, any such Tariff or that, if challenged, the entirety, or any part, of any such Tariff would be upheld. A successful challenge to any Tariff established by the Borrower that limits the ability of the Borrower to impose rates and charges materially below the levels anticipated by the Borrower could have a material adverse impact on the Borrower.

Under the Collateral Agency Agreement, the Borrower is required to deposit any disputed airline payments in an escrow account held by the Collateral Agent. During the period of any dispute, the Borrower's revenues could be expected to be lower than anticipated by the amounts required to be deposited in escrow. If the Borrower does not prevail in a challenge, the rates and charges may have to be adjusted downwards in order to be in compliance with any applicable ruling.

If even one airline challenges a proposed Tariff regime of rates and charges of the Borrower as being unreasonable, there could be a reaction by other airlines that do not have current Airline Subleases in effect to wait until the resolution of the existing challenge. Other airlines may also join in a challenge, thereby increasing the amount of disputed payments to the Borrower that may be required to be escrowed pending resolution of the dispute, further aggravating the temporary (or permanent, should the challenge be successful) reduction in revenues.

### ***Process For Imposing Rates and Charges***

The Lease Agreement requires that the Borrower establish a Comprehensive Terminal Plan (the “CTP”) prior to the commencement date of the Lease Agreement. This CTP must establish certain operating principles with respect to the Terminal B Facilities, including principles and methodology of Airline Terminal Rates for the use of the Existing Terminal B Facilities and the New Terminal B Facilities. The CTP may be revised from time to time. The CTP will include a methodology for establishing rates and charges that would be applicable to airlines that operate at the New Terminal B Facilities without an Airline Sublease. Generally operators of airports are permitted under applicable federal law and FAA policies to impose rates and charges on airlines using Terminal B that are fair and reasonable and non-discriminatory. See “PART 12 – AERONAUTICAL REVENUES – New Terminal B Facilities and New Airline Subleases” for a discussion of the FAA Policy and the Borrower’s currently proposed rate structure. The Borrower believes that its currently proposed methodology for establishing rates and charges would meet applicable FAA criteria in the event that the Borrower had to impose them by tariff. It is possible, however, that a decision to establish any rates and charges by tariff would be preceded by a period of discussion between, and within, the Borrower and the Port Authority, including possibly review and/or approval by the respective boards of such parties, and possibly other procedural or notice requirements. This process may delay the setting of rates and charges by tariff or result in a modification of the rates and charges from that proposed by the Borrower in the CTP. If the Borrower imposes rates and charges as summarized under the referenced heading, the Port Authority has agreed in the Lease Agreement that, in its capacity as the airport sponsor and operator of the Airport, it will provide such support as may be required by applicable law to enable the Borrower to establish rates and charges in accordance with the principles set forth in the CTP. The Port Authority currently has both statutory authority and authority under applicable federal law and FAA policy to establish rates and charges at its airports.

Due to the factors set forth above, no assurances can be given that the rates and charges proposed by the Borrower in the CTP will be set by tariff. Further, if such rates and charges are approved, whether in the form requested or in a modified form, such rates and charges may be challenged by airlines as summarized in the paragraph set forth above titled “Regulatory Rate Structure Implementation.”

### **Risks Related to Changes at Airlines Operating at Terminal B and the Airport**

Delta Air Lines and American Airlines account for 65% of the traffic at the Airport in calendar year 2015. While approximately 91% of passengers at the Airport are currently O&D passengers, a reduction in or loss of traffic by either carrier could have an adverse effect on activity at the Airport and at Terminal B. The loss of passengers could result in a temporary reduction in passengers as it may take time for replacement carriers to replace the lost service. It could also result in reduced demand at the Airport thereby reducing demand for gates throughout the Airport and at Terminal B.

### **Risk Factors Relating to the Airline Industry**

The revenues of the Borrower could be affected by the economic health of the air transportation industry or events affecting one or more of its airline users. More specifically, unfavorable events affecting the industry or specific airlines users of the Terminal B Facilities could lead one or more of such users to default with respect to its payment obligations to the Borrower and/or decrease or discontinue its operations at the Airport or the Terminal B Facilities. Decreased passenger service by a specific airline or a decreased demand for air travel more generally could also adversely affect the Borrower’s non-airline revenues, which are sensitive to passenger traffic levels. Neither the Borrower nor the Port Authority makes any representation concerning the financial health of any airline, and no assurance can be given regarding the impact, if any, that future unfavorable events affecting Terminal B’s airline users or the airline industry more broadly might have upon the Borrower or its operations at the Terminal B Facilities.



In general, the airline industry has been cyclical and characterized by high sensitivity to general economic conditions and other factors.

***Reduced Fares and Profitability may result from Lower Demand and Overcapacity because of the Airline Industry's Sensitivity to Unfavorable Economic Conditions and Changing Volatility***

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

Finally, alliances, mergers and other forms of industry consolidation, including antitrust immunity grants, may take place and may or may not involve airlines serviced at Terminal B as participants. Depending on which airlines combine and which assets, if any, are sold or otherwise transferred to other airlines in connection with such combinations, the competitive position of airlines serviced at Terminal B relative to the post-combination airlines that acquire such assets could be harmed and day-to-day operations at Terminal B could be affected.

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

***High and/or Volatile Fuel Prices or Significant Disruptions in the Supply of Aircraft Fuel could have a Material Adverse Impact on the Operating Results of Airline Companies***

Market prices for aircraft fuel depend on a multitude of unpredictable factors beyond any airline's control. These factors include changes in global crude oil prices, aircraft fuel supply-demand balance,

inventory levels and fuel production and transportation capacity, as well as indirect factors, such as geopolitical events, economic growth indicators, fiscal/monetary policies, fuel tax policies and financial investments. Both actual changes as well as changes in market expectations of these factors can potentially drive rapid changes in fuel price levels and price volatility. According to the Air Transport Association (the “ATA”), fuel, along with labor costs, is one of the largest cost components of airline operations, and therefore is an important and uncertain determinant of an airline’s operating economics. There has been no shortage of aviation fuel since the “fuel crisis” of 1974, but there have been significant fluctuations in the price of fuel.

Airline earnings are affected by changes in the price of aircraft fuel. In the past, airlines have passed on higher fuel costs to consumers by imposing fuel surcharges, baggage fees, other extra surcharges and increasing fares. Given the highly competitive nature of the airline industry, an airline company may not be able to increase its fares and fees sufficiently to offset the full impact of increases in fuel prices, especially if these increases are rapid and sustained. Moreover, such fare and fee increases may not be sustainable and may reduce the general demand for air travel. Finally, decreases in fuel prices for an extended period may result in increased industry capacity, increased competitive actions for market share and lower fares or surcharges in general.

### ***The Airline Industry is Particularly Vulnerable to the Effects of Pandemics, Epidemics and Natural Disasters***

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

### ***Demand for Air Travel***

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

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

### ***Capacity of Air Traffic Control and Airport Systems***

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

***Terrorist Attacks, Political Uprisings, Armed Conflicts, their Consequences, or the Fear of Such Occurrence Could Negatively Affect the Borrower, even if not Directed at the Airline Industry***

Terrorist attacks, political uprising and armed conflicts worldwide have had significant negative effects on the international airline industry in the past. The attacks of September 11, 2001 and the continuing threat posed by terrorist attacks, including bioterrorism and new forms of terrorism, materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks of September 11, 2001 and any other such measures that may be introduced in the future may generate higher operating costs for airlines.

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

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

The recent terrorist attacks at the Brussels Airport also confirm that airport facilities themselves could be the target of a terrorist attack. Terminal B is a high-profile facility at a high-profile Airport in a high-profile metropolitan area. There can be no assurance that the Terminal B Facilities themselves will not be directly affected by a terrorist attack.

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

***Extensive Government Regulation could Increase an Airline's Operating Costs and Restrict its Ability to Conduct its Business***

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

***Future Environmental Regulatory Developments, such as Climate Change Regulations in the United States and Abroad could Adversely Affect Operations and Increase Operating Costs in the Airline Industry***

There are certain climate change laws and regulations that have already gone into effect, including the European Union Emissions Trading Scheme, environmental taxes for certain international flights, limited greenhouse gas reporting requirements and land-use planning laws which could apply to airports and could affect airlines in certain circumstances. In addition, there is the potential for additional regulatory actions in regard to the emission of greenhouse gases by the aviation industry. The precise nature of future requirements is difficult to predict, but the financial impact to the airline industry would likely be adverse and could be significant.

***Increases in Insurance Costs or Reductions in Insurance Coverage may Adversely Impact Airline Operations and Financial Results***

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

***Union Disputes, Employee Strikes, Slowdowns, and other Labor-related Disruptions could Adversely Affect Airline Operations which Result in Increased Costs Impairing Financial Results***

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

***Airlines Rely Heavily on Technology and Automated Systems to Operate, and any Significant Failure of these Technologies or Systems Could Reduce Revenue or Harm a Company***

Airlines are highly dependent on technology and automated systems in their operations and to achieve low operating costs. These technologies and systems include computerized airline reservation systems, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers,

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

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

On the date of delivery of and payment for the Series 2016A Bonds, Co-Bond Counsel will render its opinion with respect to the tax-exempt status of the interest on the Series 2016A Bonds, the form of which opinion is set forth in APPENDIX J. See also "PART 17 – TAX MATTERS."

In the event the interest on the Series 2016A Bonds is determined to be includable in gross income of holders or Beneficial Owners of the Series 2016A Bonds for federal tax purposes, the Series 2016A Bonds will remain outstanding. In such event, there will be no adjustment in the interest rate on the Series 2016A Bonds. Further, a determination that the interest on the Series 2016A Bonds is includable in gross income of the holders or Beneficial Owners may not occur for a substantial period of time after interest first becomes includable in the gross income of the owners thereof for federal income tax purposes.

The loss of the exclusion of the interest on any Series 2016A Bonds from gross income of the owners thereof for federal income tax purposes could be retroactive to the Issuance Date. The tax liability of the owners of any Series 2016A Bonds for failure to include interest on such Series 2016A Bonds in their gross income may extend to years for which interest was received or accrued on such Series 2016A Bonds, or some portion thereof, and for which the relevant statute of limitations has not yet run.

## **PART 17 – TAX MATTERS**

### **The Series 2016A Bonds**

In the opinion of Squire Patton Boggs (US) LLP and D. Seaton and Associates, P.A., P.C., Co-Bond Counsel, under existing law: (i) interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except interest on any Series 2016A Bond for any period during which it is held by a "substantial user" of the facilities financed or a "related person," as those terms are used in Section 147(a) of the Code, and is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Co-Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2016A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Issuer, the Borrower and certain other entities contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2016A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of such certifications and representations or the continuing compliance with such covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel's legal judgment as to exclusion

of interest on the Series 2016A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Co-Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Issuer, the Borrower or other applicable entity may cause loss of such status and result in the interest on the Series 2016A Bonds being included in gross income for federal income tax purposes retroactively to the Issuance Date. The Borrower and, subject to certain limitations, the Issuer have each covenanted to take the actions required of it for the interest on the Series 2016A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the Issuance Date, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2016A Bonds or the market value of the Series 2016A Bonds.

Interest on the Series 2016A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2016A Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2016A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2016A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Bond Counsel’s engagement with respect to the Series 2016A Bonds ends with the issuance of the Series 2016A Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Issuer, the Borrower or the owners of the Series 2016A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2016A Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Series 2016A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2016A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2016A Bonds.

Prospective purchasers of the Series 2016A Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective

purchasers of the Series 2016A Bonds at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel expresses no opinion.

### ***Risk of Future Legislative Changes and/or Court Decisions***

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2016A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the Issuance Date will not have an adverse effect on the tax status of interest on the Series 2016A Bonds or the market value or marketability of the Series 2016A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2016A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Series 2016A Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2016A Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2016A Bonds may be adversely affected and the ability of holders to sell their Series 2016A Bonds in the secondary market may be reduced. The Series 2016A Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2016A Bonds are not subject to adjustment in the event of any such change.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

### ***Original Issue Premium***

Certain of the Series 2016A Bonds (“Premium Series 2016A Bonds”) as indicated on the inside cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2016A Bond, based on the yield to maturity of that Premium Series 2016A Bond (or, in the case of a Premium Series 2016A Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2016A Bond), compounded semi-annually. No portion of that bond premium is deductible by the owner of a Premium Series 2016A Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2016A Bond, the owner’s tax basis in the Premium Series 2016A Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2016A Bond for an amount equal to or less than the amount paid by the owner for that Premium Series 2016A Bond. A purchaser of a Premium Series 2016A Bond in the initial public offering at the price for that Premium Series 2016A Bond stated on the cover of this Official Statement who holds that Premium Series 2016A Bond to maturity (or, in the case of a callable Premium Series 2016A Bond, to its earlier call date that results in

the lowest yield on that Premium Series 2016A Bond) will realize no gain or loss upon the retirement of that Premium Series 2016A Bond.

***Owners of Premium Series 2016A Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly amortizable in any period with respect to the Premium Series 2016A Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.***

### **The Series 2016B Bonds**

INTEREST ON THE SERIES 2016B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE SERIES 2016B BONDS IS NOT EXEMPT FROM PERSONAL INCOME TAXES IMPOSED BY THE STATE OF NEW YORK AND POLITICAL SUBDIVISIONS THEREOF, INCLUDING THE CITY OF NEW YORK AND THE CITY OF YONKERS. THE LEGAL DEFEASANCE OF THE SERIES 2016B BONDS MAY RESULT IN A DEEMED SALE OR EXCHANGE OF THE SERIES 2016B BONDS UNDER CERTAIN CIRCUMSTANCES; OWNERS OF THE SERIES 2016B BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL INCOME TAX CONSEQUENCES OF SUCH AN EVENT. PROSPECTIVE PURCHASERS OF THE SERIES 2016B BONDS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2016B BONDS.

The following discussion is generally limited to “U.S. owners,” meaning beneficial owners of Series 2016B Bonds that for United States federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), and certain estates or trusts with specific connections to the United States. ***Partnerships holding Series 2016B Bonds, and partners in such partnerships, should consult their tax advisers regarding the tax consequences of an investment in the Series 2016B Bonds (including their status as U.S. owners).***

Prospective purchasers of the Series 2016B Bonds at other than their original issuance should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel expresses no opinion.

#### ***Payment of Interest***

In general, interest paid or accrued on the Series 2016B Bonds will be treated as ordinary income to U.S. owners. A U.S. owner using the accrual method of accounting for U.S. federal income tax purposes must include interest paid or accrued on the Series 2016B Bonds in ordinary income as the interest accrues, while a U.S. owner using the cash receipts and disbursements method of accounting for U.S. federal income tax purposes must include interest in ordinary income when payments are received or constructively received by the owner.

#### ***Sale, Exchange, Retirement or Other Taxable Disposition of Series 2016B Bonds***

Upon the sale, exchange, retirement or other taxable disposition of a Series 2016B Bond, a U.S. owner will recognize gain or loss equal to the difference between the amount realized from the sale, exchange, retirement or other disposition and the owner’s adjusted basis in the Series 2016B Bond or applicable portion of the adjusted basis. The owner’s adjusted basis generally will equal the cost of the Series 2016B Bond to the owner, increased by any market discount includible in the owner’s ordinary income for the Series 2016B Bond and reduced by any principal payments on the Series 2016B Bond



previously received by the owner (including any other payments on the Series 2016B Bond that are not qualified stated interest payments) . Any gain or loss recognized upon a sale, exchange, retirement or other disposition of a Series 2016B Bond (excluding amounts attributable to accrued interest) will generally be capital gain or loss and will be long-term capital gain or loss if the U.S. owner's holding period in the Series 2016B Bond exceeds one year. Long-term capital gains of individuals are currently eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

### ***Information Reporting and Backup Withholding***

General information reporting requirements will apply to payments of principal and interest made on Series 2016B Bonds and the proceeds of the sale of Series 2016B Bonds to non-corporate holders of the Series 2016B Bonds, and "backup withholding," currently at a rate of 28%, will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of Series 2016B Bonds that is a U.S. owner generally can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

### ***Medicare Tax Affecting U.S. Owners***

A U.S. owner that is an individual or estate, or a trust not included in a special class of trusts that is exempt from such tax, is subject to a 3.8% Medicare tax on the lesser of (1) the U.S. owner's "net investment income" for the taxable year and (2) the excess of the U.S. owner's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. owner's net investment income generally includes interest income on, and net gains from the disposition of, Series 2016B Bonds, unless such interest income or net gains are derived in the ordinary course of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual, estate, or trust, should consult its tax adviser regarding the applicability of the Medicare tax.

### ***Non-U.S. Owners***

Under the Code, interest on any Series 2016B Bond whose beneficial owner is not a U.S. owner is generally not subject to United States income tax or withholding tax (including backup withholding) if the non-U.S. owner provides the payor of interest on the Series 2016B Bonds with an appropriate statement as to its status as a non-U.S. owner. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the non-U.S. owner conducts a trade or business in the United States and the interest on the Series 2016B Bonds held by the non-U.S. owner is effectively connected with such trade or business, that interest will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding). The foregoing is a brief summary of certain federal income tax consequences to a non-U.S. owner. Non-U.S. owners should consult their tax advisers regarding the tax consequences of an investment in the Series 2016B Bonds.

### ***Foreign Account Tax Compliance Act***

The Foreign Account Tax Compliance Act ("FATCA") generally imposes a 30% withholding tax on interest payments and proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA status and (ii) investment funds and non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States accountholders are not satisfied.

Under applicable Treasury regulations, the FATCA withholding tax of 30% will generally be imposed, subject to certain exceptions, on payments of (i) interest on Series 2016B Bonds and (ii) gross proceeds from the sale or other disposition of Series 2016B Bonds on or after January 1, 2019, where such payments are made to persons described in the immediately preceding paragraph.

In the case of payments made to a “foreign financial institution” (generally including an investment fund), as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a “FATCA Agreement”) or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an “IGA”), in either case to, among other things, collect and provide to the U.S. or other relevant tax authorities certain information regarding U.S. account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity either provides the withholding agent with a certification that it does not have any “substantial” U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity) or identifies its “substantial” U.S. owners.

If Series 2016B Bonds are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold the 30% FATCA tax on payments of dividends or the items described above made to (i) a person (including an individual) that fails to comply with certain information requests or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding in cases where the withholding described above in “Non-U.S. Holders” or “Information Reporting and Backup Withholding” also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments on Series 2016B Bonds as a result of a failure by an investor (or by an institution through which an investor holds the Series 2016B Bonds) to comply with FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the terms of the Series 2016B Bonds, be required to pay additional amounts with respect to any Series 2016B Bond as a result of the deduction or withholding of such tax. ***Non-U.S. owners should consult their tax advisers regarding the application of FATCA to the ownership and disposition of Series 2016B Bonds.***

## **PART 18 – LIMITED LIABILITY FOR THE SERIES 2016 BONDS**

The Series 2016 Bonds are special and limited revenue obligations of the Issuer, payable by the Issuer as to the principal, redemption price, and interest thereon, solely out of the Trust Estate pledged under the Indenture referred to herein. Neither the Series 2016 Bonds, the principal thereof, the interest thereon, nor the redemption price thereof, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State, the Port Authority, the JDA, ESD, or any other local development corporation, agency, or authority of the State (other than the Issuer), and none of the State, the Port Authority, the JDA, ESD, or any other local development corporation, agency, or authority of the State (other than the Issuer) shall be liable on the Series 2016 Bonds. The Issuer has no power of taxation.

## **PART 19 – RATINGS**

The Series 2016 Bonds have been assigned preliminary underlying ratings of “BBB(EXP)” and “(P)Baa3” by Fitch and Moody’s, respectively. In addition, the Insured Bonds have been assigned ratings of “A2” and “AA” by Moody’s and S&P, respectively. The respective ratings of Moody’s, S&P, and Fitch reflect only the views of such organizations and any desired explanation of the significance of such ratings, any outlooks, or any statements given with respect thereto, should be obtained from the applicable rating agency furnishing the same at the following address: for Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 553-0300, for Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041, telephone (212) 438-2000, and for Fitch, 33 Whitehall Street, New York, New York, 10004, telephone: (212) 908-0800. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies, and assumptions by such rating agency. There is no assurance that such ratings will continue for any given period of time or will not be revised downward, suspended, or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such lowering, suspension, or withdrawal of the rating might have an adverse effect upon the market price or marketability of the Series 2016 Bonds (including the Insured Bonds). The Underwriters, the Issuer, the Borrower, and the Port Authority undertake no responsibility after the issuance of the Series 2016 Bonds (including the Insured Bonds) to assure the maintenance of the rating or to oppose any revisions or withdrawal thereof. A rating is not a recommendation to buy, sell, or hold the Series 2016 Bonds (including the Insured Bonds) and may be subject to revisions or withdrawal at any time.

## **PART 20 – UNDERWRITING**

The Series 2016 Bonds are being purchased by Citigroup Global Markets Inc. and Wells Fargo Bank, National Association (the “Representatives”), on behalf of themselves and the other underwriters listed on the cover of this Official Statement (the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase the Series 2016A Bonds from the Issuer at an aggregate purchase price of \$2,482,997,843.67 (which represents the par amount of the Series 2016A Bonds, less the Underwriters’ discount of \$11,636,498.13, plus the original issue premium of \$234,254,341.80) and to make a public offering of the Series 2016A Bonds at prices that are not in excess of the public offering prices or yields indicated on the inside cover page of this Official Statement. The Underwriters have agreed, subject to certain conditions, to purchase the Series 2016B Bonds from the Issuer at an aggregate purchase price of \$149,227,795.89 (which represents the par amount of the Series 2016B Bonds, less the Underwriters’ discount of \$772,204.11) and to make a public offering of the Series 2016B Bonds at prices that are not in excess of the public offering prices or yields indicated on the inside cover page of this Official Statement.

The Series 2016 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all Series 2016 Bonds if any are purchased.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or

instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., an underwriter of the Series 2016 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2016 Bonds.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”) one of the underwriters of the Series 2016 Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2016 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2016 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, acting through its Municipal Products Group.

In addition, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Issuer as Underwriters) for the distribution of the Series 2016 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

## **PART 21 – LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Series 2016 Bonds and the exclusion of the interest on the Series 2016A Bonds from gross income for federal income tax purposes will be subject to the approving opinion of Squire Patton Boggs (US) LLP, New York, New York, and D. Seaton and Associates, P.A., P.C., Co-Bond Counsel. See APPENDIX J – “FORM OF LEGAL OPINION OF CO-BOND COUNSEL.” Certain legal matters will be passed upon for the Issuer by Dentons US LLP, New York, New York, and the Law Offices of Joseph C. Reid, P.A., New York, New York, as Co-Disclosure Counsel. Certain legal matters will be passed upon for the Issuer by its General Counsel, for the Borrower by its counsel, O’Melveny & Myers LLP, for the Port Authority by its counsel, Orrick Herrington & Sutcliffe LLP, New York, New York, and by the Office of General Counsel of the Port Authority. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York. Certain legal matters will be passed upon for the Trustee and Collateral Agent by Hinckley, Allen & Snyder LLP, New York, New York.

## **PART 22 – LITIGATION**

### **The Issuer**

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings

and authority under which they are to be issued, or the pledge or application of any moneys or security provided for the payment of the Series 2016 Bonds, or relating to the use of the Series 2016 Bond proceeds or the existence or powers of the Issuer.

### **The Port Authority**

There is not now pending any litigation with respect to the Port Authority's authorization to enter into the Lease Agreement.

### **The Borrower**

There is not now pending any litigation with respect to the existence or powers of the Borrower or the Borrower's ability to enter into the Lease Agreement.

## **PART 23 – CERTAIN RELATIONSHIPS**

The Borrower is a limited liability company initially with three Equity Members holding an equal interest in the Borrower: the Vantage Member, the Meridiam Member and the Skanska Member. For a discussion of the Borrower's governance structure see "PART 6 – PROJECT PARTICIPANTS – The Borrower."

### **The Borrower and the Manager**

The Borrower will enter into the Management Services Agreement with the Manager. The Manager is 100% owned by Vantage, which is an affiliate under common control with the Vantage Member. The Manager's performance obligations under the Management Services Agreement will be guaranteed by Vantage.

### **The Borrower and the Design-Builder**

The Borrower will enter into the Design Build Contract with the Design-Builder. The Design-Builder is a joint venture made up of Skanska USA Building Inc., Skanska USA Civil Northeast Inc. and Walsh Construction Company II. Skanska USA Building Inc. and Skanska USA Civil Northeast, Inc. are each 100% owned by Skanska AB. Skanska AB is a guarantor of performance of the Design-Build obligations under the Design Build Contract. The Skanska Member is 100% owned by Skanska AB.

The Borrower believes that the ownership and management structure of the Borrower has been established in a manner that enables appropriate oversight by the Borrower of the Manager under the Management Services Agreement and by the Borrower of the Design-Builder under the Design Build Contract.

### **Vantage and one of the Underwriters**

Vantage is a wholly-owned indirect subsidiary of Gateway Airports, L.P. ("Gateway"), a fund managed and controlled by Corsair Infrastructure Management, L.P., an affiliate of Corsair Capital LLC. An affiliate of Citigroup Global Markets Inc. currently holds a minority interest in Gateway.

## **PART 24 – FINANCIAL ADVISOR**

Frasca & Associates, LLC is serving as Financial Advisor to the Port Authority for the Terminal B redevelopment program.

## PART 25 – CONTINUING DISCLOSURE

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), pursuant to the Securities Exchange Act of 1934, as amended, the Borrower will enter into the Disclosure Dissemination Agent Agreement to periodically provide certain financial information and operating data as summarized below under the heading “Borrower Continuing Disclosure” through the Dissemination Agent, to the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notice to the MSRB of certain events, pursuant to the requirements of the Rule. The Borrower will covenant in the Loan Agreements that, as long as Series 2016 Bonds remain outstanding, it will either maintain the Disclosure Dissemination Agreement in effect or to enter into a similar agreement with the Trustee providing for submission of information to the MSRB substantially the same as that information required to be submitted pursuant to the Disclosure Dissemination Agreement and over similar periods of time, all in compliance with the Rule.

The Port Authority has agreed to annually provide directly to the MSRB the information summarized below under the heading “Port Authority Continuing Disclosure.”

The Issuer will have no responsibility or liability to the holders of the Series 2016 Bonds or any other person with respect to such continuing disclosure.

### **Borrower Continuing Disclosure**

In connection with the issuance of the Series 2016 Bonds, the Borrower will agree to certain covenants relating to compliance with the Rule. The Borrower will enter into a Disclosure Dissemination Agent Agreement (the “Borrower Continuing Disclosure Agreement”) with Digital Assurance Certification, L.L.C. (the “Disclosure Dissemination Agent” or “DAC”), pursuant to which the Borrower will designate DAC as its exclusive dissemination agent.

The Borrower Continuing Disclosure Agreement will require the Borrower to submit to DAC (who in turn will be required to file such submissions with the MSRB in the manner set forth in the Rule. The agreement will provide for annual, quarterly and, prior to Substantial Completion, monthly reports.

The Annual Reports will be required to include Annual Financial Information, which is generally audited financial statements and the following:

- Debt Service Coverage for the completed year.
- Debt Service Reserve Requirement for each Debt Service Reserve Sub-Account for the year in which the filing is made, and amount in each Debt Service Reserve Sub-Account as of the January 1 of such year.
- For each DSCR Calculation Period during the completed year, the determination of whether the Restricted Payment Conditions were satisfied.
- The 5-year schedule of Major Maintenance Reserve Requirement as set forth in the then-current asset preservation schedule.
- Information concerning airline and passenger traffic at the Existing Terminal B or the New Terminal B, as applicable, of the type set forth in the following tables under the heading in

the Official Statement titled “PART 5 – LAGUARDIA AIRPORT – Historical Airline Market Share of Enplaned Passengers at the Airport”:

- Historical Enplaned Passengers
- Historical Airline Market Shares of Enplaned Passengers

The Quarterly Report will be required to include, for the first, second and third fiscal quarter of the Borrower, unaudited financial statements of the Borrower, including the unaudited income statement and balance sheet of the Borrower as of the end of the applicable period and the related unaudited statements of operations, changes in member capital and cash flows of the Borrower for such period.

The Monthly Reports will relate primarily to progress during the construction period, and will be required to be filed only prior to Substantial Completion. The Monthly Report will be required to include the following information:

- An assessment of the overall construction progress of the D&C Work since the date of the last report (or, with respect to the first such report, the Issuance Date) and setting forth a reasonable estimate as to the completion date for the applicable D&C Work.
- A detailed description of any material delays encountered or anticipated in connection with the D&C Work and a reasonably detailed description of the proposed course of action with respect to such delay.
- Any written proposal of the Obligated Person to suspend or abandon the Construction Project or the operation and management of Terminal B (except to the extent the suspension is as a result of an emergency or otherwise permitted under the Lease Agreement).
- Occurrence of each New Facilities Construction Milestone, and confirmation of required transfers to Debt Service Reserve Account.

The agreement will also provide for the filing of “material event notices” as required by the Rule, as well as additional notices required by the Borrower Continuing Disclosure Agreement. Such additional notices that are not required by the Rule but are required by the Borrower Continuing Disclosure Agreement are:

- The occurrence of Substantial Completion
- Details of any litigation, pending or, if actually known, threatened in writing, by or before any arbitrator or Governmental Entity in which the amount involved exceeds \$10,000,000 for a pending litigation, or \$20,000,000 for a litigation threatened in writing, in each case which is not covered by insurance.
- Notice of the Obligated Person committing any “event of default” as defined in, or any material breach under, the Lease Agreement, the Leasehold Mortgages or the Loan Agreements.
- The Obligated Person having actual knowledge of the filing or service of any mechanics lien or other claim that creates a lien upon the Construction Project in an amount in excess of \$5,000,000.

- Receipt by the Obligated Person of any notices asserting an Event of Default under, or purporting to terminate or suspend performance of any Key Contract.
- Appointment of a successor or additional Collateral Agent or the change of name of a Collateral Agent, if material.

The form of the Borrower Continuing Disclosure Agreement is set forth in APPENDIX I-1 to this Official Statement.

The Borrower has not prior to the date of this Official Statement entered into, and will not prior to the Issuance Date enter into (except in connection with the issuance of the Series 2016 Bonds), any undertakings taken pursuant to the Rule.

### **Port Authority Continuing Disclosure**

So far as any statements are made involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Unless otherwise indicated, so far as information given relates to past earnings or expenditures of the Port Authority, the figures have been taken from the books of the Port Authority. So far as estimates of future revenues or expenditures of the Port Authority are given, they merely constitute estimates which may or may not be actually realized; so far as statements are made regarding other estimates or future construction, development, plans or other matters, they merely constitute statements of expectations which may or may not be actually fulfilled. All statements involving matters of legal opinion represent the opinion of the General Counsel of the Port Authority.

For a complete and detailed understanding of the respective rights of the Port Authority and the holders of its outstanding obligations, reference must be made to the State and federal legislation relating to the Port Authority and to the various resolutions adopted by the Port Authority. See APPENDIX C – “INFORMATION RELATING TO THE PORT AUTHORITY – Pertinent Statutes and General Resolutions” and “ – Bonds, Notes and Other Obligations.” Such statutes and resolutions should be studied in connection with this Official Statement and for the purpose of gaining a complete and detailed understanding of the rights of holders of outstanding Port Authority obligations. All references to resolutions, agreements, documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the resolutions, agreements, documents and other materials referenced, which may be examined on reasonable prior notice at the office of the Secretary of the Port Authority during regular business hours.

In connection with the issuance of the Series 2016 Bonds, the Port Authority will execute an Agreement With Respect to Continuing Disclosure (the “Port Authority Continuing Disclosure Agreement”) pursuant to which the Port Authority will agree to provide information pertaining to the Port Authority generally of the type set forth in Section (b)(5)(i) of the Rule (as such Section is now in effect), while the Series 2016 Bonds are outstanding. The Port Authority will agree to provide annual financial information and operating data of the Port Authority generally of the type set forth in APPENDIX C – “INFORMATION RELATING TO THE PORT AUTHORITY” of the Official Statement and annual audited financial statements of the Port Authority, when and if available. Such annual financial information will be provided to the MSRB in the form required by the MSRB, within 120 days after the close of the Authority’s then current fiscal year.

Additionally, in connection therewith, notice of the occurrence of any failure of the Port Authority to provide annual financial and operating data as set forth herein will be provided solely to the MSRB in an electronic format as prescribed by the MSRB, in a timely manner.



The form of the Port Authority Continuing Disclosure Agreement is set forth in APPENDIX I-2 to this Official Statement.

During the past five years, the Port Authority has met its obligations to provide information of the type specified in Section (b)(5)(i) of Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934, in accordance with its agreements with respect thereto. However, on September 12, 2012, the Port Authority became aware that, on February 29, 2012, when the Port Authority filed its annual audited financial statements, such filing was not linked to the CUSIP numbers for New York Liberty Development Corporation, Liberty Revenue Bonds, Series 1WTC-2011, and for New York Liberty Development Corporation, Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project). Such filing was linked on September 13, 2012 and September 18, 2012, respectively. In addition, on June 11, 2014, the Port Authority became aware that, on April 7, 2014, when the Port Authority filed its annual audited financial statements, and on April 30, 2014, when the Port Authority filed certain annual financial and operating data, such filings were not linked to the CUSIP numbers for New Jersey Economic Development Authority, Tax-Exempt Private Activity Bonds (The Goethals Bridge Replacement Project), Series 2013. Such filings were linked on June 11, 2014. During the course of a periodic review in August 2014 of its continuing disclosure filings, the Port Authority became aware that in certain other limited instances in the past, notwithstanding its instructions to its disclosure dissemination agent, such agent did not link certain Port Authority filings to all CUSIP numbers associated with the obligations covered by Port Authority continuing disclosure agreements, but such disclosure dissemination agent has corrected such failures as of September 12, 2014.

(Remainder of Page Intentionally Left Blank)

The execution and delivery of this Official Statement by Authorized Officers have been duly authorized by the Issuer and the Borrower.

**NEW YORK TRANSPORTATION  
DEVELOPMENT CORPORATION**

By:                     /s/ Robert M. Godley                      
                    Authorized Officer

**LAGUARDIA GATEWAY PARTNERS, LLC**

By:                     /s/Stewart Steeves                      
                    Authorized Officer

## Appendix A

### DEFINITIONS

Unless otherwise specified, capitalized terms used in this Official Statement shall have the meanings set forth below:

**2016A Tax-Exempt Bond Capitalized Interest Sub-Account** means the “2016A Tax-Exempt Bond Capitalized Interest Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016A Tax-Exempt Bond Debt Service Reserve Sub-Account** means the “2016A Tax-Exempt Bond Debt Service Reserve Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016A Tax-Exempt Bond Interest Payment Sub-Account** means the “2016A Tax-Exempt Bond Interest Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016A Tax-Exempt Bond Principal Payment Sub-Account** means the “2016A Tax-Exempt Bond Principal Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016A Tax-Exempt Bond Redemption Sub-Account** means the “2016A Tax-Exempt Bond Redemption Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016B Taxable Bond Capitalized Interest Sub-Account** means the “2016B Tax-Exempt Bond Capitalized Interest Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016B Taxable Bond Debt Service Reserve Sub-Account** means the “2016B Taxable Bond Debt Service Reserve Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016B Taxable Bond Interest Payment Sub-Account** means the “2016B Tax-Exempt Bond Interest Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016B Taxable Bond Principal Payment Sub-Account** means the “2016B Tax-Exempt Bond Interest Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**2016B Taxable Bond Redemption Sub-Account** means the “2016B Taxable Bond Redemption Sub-Account” established pursuant to the Collateral Agency Agreement.

**Acceptable Letter of Credit** means any standby letter of credit in favor of the Collateral Agent (a) substantially in the form attached to the Collateral Agency Agreement, and issued by an Eligible LC Issuer, (b) the reimbursement obligations with respect to which shall not be (x) recourse to the Borrower or the Project or (y) secured by a lien on, or a security interest in, the Collateral, (c) the term of which is at least one year from the date of issue (except that for letters of credit issued as a replacement letter of credit with less than one year remaining until the stated expiration date of the original letter of credit, the term shall be for such shorter period) and (d) which allows drawing (i) prior to expiry (unless otherwise replaced), (ii) upon downgrade of the issuer such that it is no longer an Eligible LC Issuer if not replaced within twenty days of such downgrade and, (iii) if such letter of credit is used to fund any reserve account established under the Collateral Agency Agreement, when funds would otherwise be drawn from such reserve account.

**Accounts or Subaccounts** means the funds and accounts, or sub-accounts, as applicable, established pursuant to each of the Indenture, the Collateral Agency Agreement or any other Financing Document, as applicable.

**Account Collateral** means, subject to the Collateral Agency Agreement, (a) all Project Accounts and funds deposited therein and moneys, funds, instruments, securities and all other property from time to time credited to such Project Accounts, (b) all Indenture Account Collateral and funds deposited therein and moneys, funds, instruments, securities and all other property from time to time credited to such Indenture Account Collateral, (c) all “securities accounts” (within the meaning of Section 8-501 of the UCC), all deposit accounts and any and all other bank accounts, and (d) all “proceeds” (as defined under the UCC) of any or all of the foregoing, that is subject to a security interest granted by the Borrower, as applicable, pursuant to the Borrower Security Agreement.

**Account Control Agreement** means that certain Account Control Agreement, dated as of the Issuance Date, among the Borrower, the Collateral Agent and the Deposit Account Bank in respect of the Operating Account and any replacement Account Control Agreement to which the Collateral Agent is a party.

**Accredited Investor** means the meaning given in Rule 501 of Regulation D under the Securities Act of 1933, as amended.

**Act** means the New York Not-for-Profit Corporation Law, being Chapter 35 of the Consolidated Laws of New York.

**Additional Bonds** means any additional bonds issued pursuant to and in accordance with the Indenture and any related Supplemental Indenture.

**Additional Bonds Loan Agreement Supplement** means, for each series of Additional Bonds, the loan agreement supplement to be executed by the Issuer and the Borrower in connection with the issuance of such Additional Bonds pursuant to the Indenture.

**Advisory Panel** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Overview” in the Official Statement.

**Affiliate**, with respect to the Lease Agreement, means, of any Person means any entity which, directly or indirectly, through one or more intermediaries, (a) has a ten percent (10%) or more voting or economic interest in such Person or (b) controls, is controlled by, or is under common control with such Person; with respect to the Financing Documents, means of any Person means any other Person that is Controlling, Controlled by or under common Control with such Person.

**Affiliate QTO** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Restrictions on Assignments and Terminal Operator Change in Control – Restrictions on Terminal Operator Change in Control.”

**Airline Amount** means, as of any Calculation Date, the amounts of any rates and charges downward adjustment, if any, to be made available to airline sublessees pursuant to applicable airline subleases with respect to the immediately preceding Calculation Period.

**Airline Discount Account** means the “Airline Discount Account” established pursuant to the Collateral Agency Agreement.

**Airline Requested Change** means a request during the Construction Period by one or more airline sublessees or any Scheduled Aircraft Operator who is a prospective airline sublessee to modify the scope of any portion of the Construction Project or the performance of any portion of the D&C Work, including design changes and re-sequencing or re-phasing of the Construction Work.

**Airline Sublease** means any sublease between the Borrower and a Scheduled Aircraft Operator pursuant to the Lease Agreement.

**Airline Terminal Rates** means the rates payable by airline sublessees for the use of the Existing Terminal B Facilities or the New Terminal B Facilities, as applicable, including aprons.

**Airport** has the meaning set forth in “Part 1 – INTRODUCTION” in the Official Statement.

**Airport Consultant** means a firm or firms of national recognition experienced in the field of planning the development, operation and management of airports and aviation facilities, selected and employed by the Borrower from time to time.

**Airport Operating Certificate** means the airport operating certificate issued by the FAA pursuant to 14 C.F.R. Part 139 with respect to the Airport.

**Airport Premises** means the land identified on the LaGuardia Terminal B Site Diagram in the Lease Agreement, which land is situated at the Airport in the County of Queens, City and State of New York, together with (a) all buildings, structures, fixtures, improvements and other property and facilities of the Port Authority located therein, thereon or thereunder (including the Existing Facilities), and (b) all structures, improvements, additions, buildings, installations and facilities to be located, constructed or installed, or which may be located, constructed or installed therein, thereon or thereunder (including the New Facilities), and (c) the equipment permanently affixed or permanently located therein, such as electrical, plumbing, sprinkler fire protection and fire alarm, heating, steam, sewage, drainage, cooling, refrigerating, telephone and other 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; provided, however, that the Airport Premises shall not include the Utility systems.

**Applicable Law** means any statute, law, code, regulation, ordinance, rule, common law, judgment, judicial or administrative order, decree, directive, or other requirement having the force of law or other governmental restriction (including those resulting from the initiative or referendum process) or any similar form of decision of or determination by any Governmental Entity (including any applicable regulation, order or statement of policy of the Administrator of the FAA or any other governmental officer or body having jurisdiction over the enforcement of the obligations of the Port Authority under federal law or arising from the applications described in Section 15.5(a) of the Lease Agreement), including any Environmental Law, which is applicable to the Construction Project, the construction site, the Premises, the Temporary Rights of Access, the Work or the relevant Person during the term of the Lease Agreement or the Design-Build Contract, as applicable, whether taking effect before or after the effective date of the Lease Agreement or the Design-Build Contract, as applicable, in each case, as amended, revised, supplemented or otherwise modified from time to time. For the avoidance of doubt, the term “Applicable Laws” includes FAA Grant Assurances and the Airport Operating Certificate but excludes the Applicable Standards.

**Applicable Standards** means all applicable codes, standards, regulations, manuals, references, guidelines, policies, specifications, recommendations, handbooks and advisory circulars referenced within the Lease Agreement, the Design-Build Contract and the Requirements and Provisions for Work,

including the Rules and Regulations and other such codes, standards, regulations, manuals, guidelines, policies, specifications, recommendations, handbooks, advisory circulars, references and similar documents described in the Requirements and Provisions for Work, in each case, as amended, revised, supplemented or otherwise modified from time to time.

**Applicable Standards Change** means (a) any repeal (in whole or in part) of, amendment or modification to, or written change in interpretation of, any of the Applicable Standards, in each case, after the date that is 30 days prior to the Proposal Due Date or (b) the adoption or enactment of any new Applicable Standard after the date that is 30 days prior to the Proposal Due Date, in each case in clauses (a) and (b), that materially alters the Applicable Standards in effect 30 days prior to the Proposal Due Date; provided, that no Safety Compliance Order, Directive Letter, General Manager directive or instruction or Change in Law shall constitute an Applicable Standards Change; and provided, further, that the issuance of any governmental approval that is the responsibility of the Borrower is not an Applicable Standards Change unless and to the extent that a change in a governmental approval that is the responsibility of the Borrower or a new governmental approval is required by an Applicable Standards Change in connection with the D&C Work.

**Approved Disposal Locations** means the disposal locations for disposal of waste materials, including Demolition Debris, Excavated Materials and Hazardous Materials, generated in connection with the Work, from among Qualified Disposal Locations identified by the Borrower and approved by the Port Authority.

**Area-Wide Contamination** means Hazardous Environmental Conditions that were present on, in or under the Premises or the Temporary Rights of Access on or prior to the effective date of the Lease Agreement and that are found outside an Excavation Zone.

**Asset Preservation Schedule** means the five-year asset preservation schedule created by the Borrower as required pursuant to the Lease Agreement.

**Assigned Terminal B Facilities Agreements** means such Existing Airline Subleases and other existing agreements listed on Exhibit 2 to the Lease Agreement, assigned to the Borrower by the Port Authority and assumed by the Borrower pursuant to an assignment and assumption agreement, as of the effective date of the Lease Agreement.

**Assignment of Leases and Rents** means that certain Assignment of Leases and Rents, dated as of the Issuance Date, between the Borrower and the Collateral Agent, as it may be amended, supplemented or modified from time to time.

**Assignment of Project Documents** means that certain Assignment of Project Documents, Permits and Licenses, dated as of the Issuance Date, between the Borrower and the Collateral Agent, as it may be amended, supplemented or modified from time to time.

**Authorized Borrower Representative** means (a) the Chief Executive Officer of the Borrower; or (b) any other individual (or individuals) so designated by the Borrower to act as Authorized Borrower Representative by written certificate of the Borrower furnished to the Collateral Agent, containing the specimen signature of such Person.

**Authorized Denominations** means (a) with respect to the Series 2016 Bonds, \$5,000 and any integral multiple thereof or (b) any other denomination specified in any Supplemental Indenture authorizing the issuance of Additional Bonds.

**Available Documents** means (i) the documents included in Part IV of the RFP (as such RFP has been amended from time to time), including the disclosed environmental reports and the disclosed Existing Facilities operations and maintenance information and (ii) the other documents identified in the Lease Agreement as constituting Available Documents thereunder. The Available Documents do not constitute Project Documents.

**Bankruptcy Related Event** means the occurrence of any of the following: the Borrower institutes a proceeding to be adjudicated as bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or consents to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Borrower or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due.

**Base Rent** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Permitted O&M Expenses; Rental Payments by the Borrower – Base Rent.”

**Beneficial Owner** means, so long as the Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry System, Beneficial Owner shall mean “Owner.”

**Best Management Practice** means the exercise of the degree of skill, diligence, prudence and foresight that would reasonably and ordinarily be expected from time to time from a skilled and experienced designer, engineer, constructor, maintenance contractor, operator, consultant, analyst or the Borrower seeking in good faith to comply with its contractual obligations, complying with all Applicable Laws, governmental approvals and Applicable Standards, and engaged in the same type of undertaking under similar circumstances and conditions. Best Management Practice is not static but rather will change over time; provided, however, that Best Management Practice with respect to any particular activity will be determined at the time when such particular activity is performed.

**Blue Sky Laws** means the laws and accompanying regulations regulating the offers and sales of securities and of those selling them in each of the 50 states, the District of Columbia and territories of Puerto Rico and Guam.

**Bond Counsel** means Squire Patton Boggs (US) LLP and D. Seaton and Associates, P.A., P.C. or other law firm or firms selected by the Issuer, with the consent of the Borrower, which consent shall not be unreasonably withheld, who have nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal and State income tax purposes.

**Bond Payment Accounts** means, collectively, the Senior Bond Payment Account, the Subordinate Bond Payment Account and the respective sub-accounts thereof.

**Bond Proceeds Sub-Accounts** means, together, the Tax-Exempt Bond Proceeds Sub-Account and the Taxable Bond Proceeds Sub-Account.

**Bond Redemption Sub-Accounts** means, collectively, the Senior Bond Redemption Sub-Account, the Subordinated Bond Redemption Sub-Account and the respective *tertiary*-accounts thereof.

**Bond Register** means the books maintained and kept by the Bond Registrar for registration and transfer of Bonds pursuant to the Indenture.

**Bondholder or Holder or Owner** of the Bonds means the registered owner of any Bond.

**Bond Insurer** means, with respect to the Insured Bonds, Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

**Bond Insurance Policy** means the insurance policy issued at the request of the Borrower by the Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the Insured Bonds when due, the specimen of which is attached as APPENDIX K – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

**Bonds** means the Series 2016A Bonds and the Series 2016B Bonds, together with the Additional Bonds issued from time to time pursuant to the Indenture, if any.

**Book-Entry System** means the book-entry system maintained by the Securities Depository.

**Borrower** has the meaning set forth in “PART 1 – INTRODUCTION” of the Official Statement.

**Borrower Assignment and Assumption Agreement** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Recognized Mortgagee – Foreclosure.”

**Borrower Continuing Disclosure Agreement** has the meaning set forth in “PART 25 – CONTINUING DISCLOSURE – Borrower Continuing Disclosure” in the Official Statement.

**Borrower Damages** has the meaning set forth in APPENDIX E “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Compensation Events.”

**Borrower Debt** means, at the relevant time, the aggregate of (without double counting), any bona fide indebtedness of the Borrower (including bonds, bank debt, guaranties and credit support, subordinated indebtedness and all such obligations arising under such indebtedness) for or in respect of funds borrowed (including bona fide indebtedness with respect to any financial insurance issued for funds borrowed) or for the value of goods or services rendered or received in the performance of the Work, the repayment of which may be secured by one or more Leasehold Mortgages. Borrower Debt includes (i) principal, capitalized interest, interest by virtue of original issue discount, accrued interest (including default interest under the Financing Documents), (ii) customary and reasonable lender, financial insurer, agent and trustee fees, costs, expenses and premiums and reimbursement obligations owed to lenders, financial insurers, agents and trustees, with respect thereto, (iii) payment obligations under interest rate and inflation rate hedging agreements or other derivative facilities with respect thereto, (iv) reimbursement obligations with respect thereto, (v) lease financing obligations and (vi) prepayment premiums or penalties, make-whole payments or other prepayment amounts or breakage costs. Borrower Debt excludes any increase in indebtedness to the extent resulting from an agreement or other arrangement the Borrower enters into or first becomes obligated to repay after the occurrence of an event of termination giving rise to an obligation of the Port Authority to pay termination compensation, including the Borrower’s receipt of a termination notice from the Port Authority or the Port Authority’s receipt of a termination notice from the Borrower; provided, that subject to the following provisions of this definition, Borrower Debt will include any increase in indebtedness resulting from a Refinancing that has complied with the requirements of the Lease Agreement. In addition, no indebtedness will constitute



Borrower Debt unless and until the Port Authority has been provided with written notice thereof and copies of any related Financing Documents, in accordance with the Lease Agreement, and the Port Authority has approved such Borrower Debt to the extent required under the Lease Agreement; provided, however, that Borrower Debt incurred on the effective date of the Lease Agreement shall be deemed approved by the Port Authority.

**Borrower Insurance Proceeds** means all proceeds of insurance (other than proceeds of business interruption insurance and loss of advance profits insurance) payable to or received by the Borrower (whether by way of claims, return of premiums, ex gratia settlements or otherwise).

**Borrower-Related Entity** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Suspension of D&C Work.”

**Borrower Security Agreement** has the meaning set forth in “PART 1 - INTRODUCTION” in the Official Statement.

**Building 30 Fit-Out** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Design and Construction of the Construction Project – Scope of the Work.”

**Building Loan Agreement** has the meaning set forth in “SUMMARY STATEMENT - Purpose of Issue” in the Official Statement.

**Building Loan Costs** means that portion of the loans pursuant to the Loan Agreements to be utilized by the Borrower for Project Costs as permitted pursuant to the provisions of Section 22 of the New York State Lien Law, which costs, if advanced pursuant the provisions of the Building Loan Agreement, will have priority over subsequently filed mechanic's liens.

**Business Day** means any day that is not a Saturday, a Sunday or other day on which commercial banks in New York, New York are authorized or required by law, regulation or executive order to be closed (unless otherwise provided in a Supplemental Indenture).

**Calculation Date** means each June 30th and December 31st following the End of Funding Date.

**Calculation Period** means the six (6)-month period following each Calculation Date and ending on the succeeding Calculation Date.

**Central Electrical Substation** means the existing central electrical substation, located north of the existing taxi hold areas between the Existing Terminal B Facilities and Terminal C, which will be decommissioned and demolished by the Borrower or the Design-Builder as part of the Construction Project after a new East End Substation is built and commissioned for operation by the Port Authority.

**Capitalized Interest Account** means the “Capitalized Interest Account” established pursuant to the Collateral Agency Agreement.

**Capitalized Interest Accounts** means, collectively, the Capitalized Interest Account and each Capitalized Interest Sub-Accounts.

**Capitalized Interest Sub-Accounts** means, collectively, the 2016A Tax-Exempt Bond Capitalized Interest Sub-Account, the 2016B Taxable Bond Capitalized Interest Sub-Account and any other sub-account of the Capitalized Interest Account established with respect to any Series of Subordinate Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds were issued.

**Central Hall** has the meaning set forth in “SUMMARY STATEMENT – The Lease Agreement” in the Official Statement.

**Central Hall Receipts Account** means the “Central Hall Receipts Account” established pursuant to the Collateral Agency Agreement.

**Central Hall Substantial Completion** means the occurrence of all events and satisfaction of all conditions set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Substantial Completion” with respect to the Central Hall, as evidenced by the issuance of a Certificate of Central Hall Substantial Completion by the Port Authority to the Borrower.

**Certificate of Central Hall Substantial Completion** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Substantial Completion.”

**Certificate of Final Acceptance** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Final Acceptance.”

**Certificate of Substantial Completion** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Substantial Completion.”

**C.F.R.** means the Code of Federal Regulations.

**Change in Law** means (a) any repeal (in whole or in part) of, or amendment or modification to, any Applicable Law by the federal government, the State of New York, the City or any respective agency or political subdivision thereof (any such Applicable Law, a “Qualifying Applicable Law”), or any written change in interpretation or application of, any Qualifying Applicable Law, in each case, after the date that is thirty (30) days prior to the Proposal Due Date, or (b) the adoption or enactment of any new Qualifying Applicable Law after the date that is thirty (30) days prior to the Proposal Due Date, in each case in clauses (a) and (b), that materially alters any existing Qualifying Applicable Law or any existing interpretation or application of, any such Qualifying Applicable Law in effect thirty (30) days prior to the Proposal Due Date; excluding, however, (i) any repeal of, or amendment or modification to, or written change in interpretation or application of, a Qualifying Applicable Law, or any new Qualifying Applicable Law, in each case, that is passed or adopted but not yet effective as of thirty (30) days prior to the Proposal Due Date, (ii) any repeal of, or amendment or modification to, or written change in interpretation or application of, or the adoption or enactment of, state tax laws of general application (it being understood that any change in state tax laws shall not be deemed of general application if it is solely directed at, and the effect of which is solely borne by, the Borrower or non-airline terminal operators at airports operated by the Port Authority), (iii) any repeal of, or amendment or modification to, or written change in interpretation or application of, or adoption or enactment of, state labor laws and (iv) any governmental approval that is the responsibility of the Borrower, unless and to the extent

that a change in a governmental approval that is the responsibility of the Borrower or a new governmental approval is required by a Change in Law in connection with the D&C Work.

**Chief Engineer** means the Chief Engineer of the Port Authority.

**CHRP** means, as the context requires, the Existing CHRP or the New CHRP.

**City** means The City of New York.

**City Lease** has the meaning set forth in “PART 5 – LAGUARDIA AIRPORT – The City Lease” in the Official Statement.

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

**Closing Date** means the date on which the Series 2016 Bonds are issued, authenticated and delivered in accordance with the Indenture.

**Code** has the meaning set forth in “PART 17 – TAX MATTERS” in the Official Statement.

**Collateral** means all real and personal property that is subject to a Security Interest granted under any Security Document.

**Collateral Agency Agreement** or **CAA** has the meaning set forth in “SUMMARY STATEMENT – Security for the Series 2016 Bonds” in the Official Statement.

**Collateral Agent** has the meaning set forth in “SUMMARY STATEMENT – Security for the Series 2016 Bonds” in the Official Statement.

**Compensation Event** means any of the events or conditions set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Compensation Events.”

**Compensation Event Notice** means written notice from the Borrower to the Port Authority in accordance with the Lease Agreement that an event has occurred that the Borrower claims is a Compensation Event.

**Completion Bonds** means any Additional Bonds in which the net proceeds shall be used to finance Project Costs associated with the completion of the D&C Work.

**Concessions Management Contract** means any contract entered into by the Borrower for the performance of concessions management responsibilities at the Existing Terminal B Facilities, the New Terminal B Facilities or the Central Hall, as applicable (irrespective of whether such contract takes the form of a management agreement, sublease or otherwise).

**Concessions Manager** means any counterparty to a Concessions Management Contract.

**Construction Account** means the “Construction Account” established pursuant to the Collateral Agency Agreement, and the sub-accounts thereof.

**Construction Documents** means all shop drawings, working drawings, fabrication plans, material and hardware descriptions, specifications, test data, inspection reports, engineering reports, survey control data, safety records, construction quality control reports, construction quality assurance reports and samples necessary or desirable for the Construction Work in accordance with the Project Documents.

**Construction NTP** means any Full Construction NTP, Construction Segment NTP or Notice to Proceed issued by the Port Authority to the Borrower to commence the Construction Work for a specific New Facilities Construction Milestone, as the case may be.

**Construction Period** means the period from the issuance of the Design NTP until Final Acceptance.

**Construction Project** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project” in the Official Statement.

**Construction Security** means, collectively, the D&C Guarantees, the D&C Letter of Credit and any other performance security provided under the Design-Build Contract in accordance with the Lease Agreement requirements.

**Construction Segment** means any segment or portion of the Construction Work that is designated as such in the Lease Agreement or which the Port Authority and the Borrower (with the consent of the Design-Builder under the Design-Build Contract) have otherwise agreed to designate as a separate segment or portion of the Construction Work.

**Construction Segment NTP** means the Notice to Proceed issued by the Port Authority to the Borrower to commence the Construction Work for a specific Construction Segment.

**Construction Work** means all D&C Work related to the building, constructing, making, forming, manufacturing, furnishing, installing, supplying, delivering, landscaping, equipping and completing the Construction Project (including the New Improvements and the Central Hall) and decommissioning, demolishing and removing the Demolition Facilities, all in accordance with the Project Documents, but excluding Design Work and Operations and Maintenance Work.

**Continuing Disclosure Agreements** means the Port Authority Continuing Disclosure Agreement and the Borrower Continuing Disclosure Agreement.

**Contract Documents** means the Lease Agreement and the other Project Documents (if any), any DB Direct Agreement and the Design-Build Contract.

**Contract Price** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – DB D&C Work – Contract Price” in the Official Statement.

**Control** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by

contract or otherwise, and **Controlling, Controlled by and Under Common Control With** have meanings correlative thereto.

**Corrective Action Plan** means the Corrective Action Plan meeting the requirements of the General Conditions developed by the Borrower or the Design-Builder, as applicable, with respect to any nonconforming work.

**Counsel** means an attorney or firm of attorneys, acceptable to the Trustee and the Issuer, of counsel who may (except as otherwise expressly provided in the Loan Agreements or any other Security Document) be counsel for the Borrower or the Issuer.

**Covered Party** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – Indemnity – Additional Indemnification by the Borrower” in the Official Statement.

**CRWD** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project” in the Official Statement.

**Current Facilities** means the equipment, structures, pipelines, foundations, roads and other improvements existing on the Premises on the effective date of the Lease Agreement, including the Existing Terminal B Facilities, the Central Electrical Substation, the P2 Garage, Hangar 1, the Existing CHRP, the National Grid Gate and Governor Station and frontage roads associated therewith.

**D&C Contractor** means any counterparty to a D&C Contract.

**D&C Contract** means any contract entered into by the Borrower for third party management, direction, supervision or performance of the D&C Work or any significant portion thereof, including the Design-Build Contract. There may be more than one D&C Contract concurrently in effect.

**D&C Contractor** means the Design-Builder.

**D&C Contractor Direct Agreement** means that certain Direct Agreement, dated as of the Issuance Date, among the Collateral Agent, the D&C Contractor and the Borrower, as it may be amended, supplemented or modified from time to time.

**D&C Guarantee** means one or more guarantees delivered by a D&C Guarantor guaranteeing the performance of the Design-Builder’s obligations under the Design-Build Contract.

**D&C Guarantor** means any Person providing a D&C Guarantee in respect of the Design-Build Contract.

**D&C Letter of Credit** means a standby letter of credit, in form and substance reasonably acceptable to the Port Authority, issued by an Eligible LC Issuer in favor of the Collateral Agent as security for the performance of the Design-Builder’s obligations under the Design-Build Contract; provided, that the terms of the Lease Agreement provide that if the Borrower Debt incurred on the effective date of the Lease Agreement has received a “BBB-” (or higher) or equivalent rating from at least one of the rating agencies, such standby letter of credit shall be deemed acceptable to the Port Authority if it is on terms that satisfy the requirements of such rating agency and the holders of such Borrower Debt, so long as it provides that it may be transferred by the Borrower to the Port Authority as transferee beneficiary, with rights to draw upon or exercise other remedies thereunder if the Port Authority succeeds to the position of the Borrower under the Design-Build Contract.

**D&C Work** means the Design Work and the Construction Work.

**DB Compensation Event Notice** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Compensation Events.”

**DB Construction Work** is the portion of the DB D&C Work relating to the Construction Work.

**DB Contract Effective Date** has the meaning set forth in the Design-Build Contract.

**DB D&C Work** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – DB D&C Work – Scope of the Work.”

**DB Delay Event Notice** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Delay Events.”

**DB Design Work** is the portion of the DB D&C Work relating to the Design Work.

**DB Direct Agreement** means a direct agreement entered into by the Design-Builder, the Borrower and the Port Authority, if any.

**DB Disbursement Request** has the meaning set forth in the Design-Build Contract.

**DB Dispute Resolution Procedure** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Dispute Resolution.”

**DB Final Acceptance Deadline** means the Guaranteed Final Acceptance Date, as such Guaranteed Final Acceptance Date may be adjusted in accordance with the Design-Build Contract.

**DB Lenders’ Direct Agreement** means a D&C Contractor Direct Agreement.

**DB Long Stop Deadline** means the date that is 90 days prior to the Long Stop Deadline, as such Long Stop Deadline may be adjusted in accordance with the Design-Build Contract.

**DB New Facilities Construction Milestone Deadline** means the Guaranteed New Facilities Construction Milestone Completion Date (as such Guaranteed New Facilities Construction Milestone Completion Date may be adjusted in accordance with the Lease Agreement), subject to additional adjustment of such DB New Facilities Construction Milestone Deadline as provided in the Design-Build Contract.

**DB Party** means:

- (i) the Design-Builder, any DB Subcontractor and any person engaged by the Design-Builder from time to time as may be permitted by the Design-Build Contract to procure or manage the provision of the DB D&C Work (or any of them); and
- (ii) in respect of each of the above, their subcontractors of any tier, agents, employees, officers and directors, and **DB Parties** shall be construed accordingly.

**DB PNTP Work** means the DB D&C Work performed pursuant to the PNTP DB Contract.

**DB Project Documents** means the Contract Documents, the DB Lenders' Direct Agreement, extracts of the Financing Documents provided to the Design-Builder before the date of issuance of the Series 2016 Bonds and listed in an exhibit to the Design-Build Contract, each D&C Guarantee, the D&C Letter of Credit and any other documents provided to the Design-Builder (based on further due diligence) and which are (per mutual agreement of the Borrower and the Design-Builder) listed in an exhibit to the Design-Build Contract.

**DB Subcontractor** means any qualified contractor to whom the Design-Builder has subcontracted portions of the DB D&C Work (but not the overall responsibility for the management of the DB D&C Work) under the Design-Build Contract.

**DB Substantial Completion Deadline** means the Guaranteed Substantial Completion Date (as such Guaranteed Substantial Completion Date may be adjusted in accordance with the Lease Agreement), subject to additional adjustment of such DB Substantial Completion Deadline as provided in the Design-Build Contract.

**DB Work and Staging Area** means, collectively, the areas within the construction site, including those necessary to accommodate laydown, staging, drainage and other construction methods in connection with the construction of the Construction Project, but, with respect to all such areas, only with respect to the periods of time during which the Design-Builder is performing the DB D&C Work in, or is otherwise responsible for, such areas.

**DB Work Defect** means any defect under the Lease Agreement with respect to the DB D&C Work attributable to the Design-Builder, except any such defect due to improper Operations and Maintenance Work by or on behalf of the Borrower or the Borrower's failure to perform any such Operations and Maintenance Work or due to any wear with respect to a portion of the Construction Project following Partial Completion of such portion to the extent such wear constitutes normal wear and tear.

**Debarment Regulations** means (a) Federal Executive Order no. 12549 (Feb. 18, 1986), (b) Federal Executive Order no. 12689 (Aug. 16, 1989), (c) 31 U.S.C. § 6101 note (Section 2455, Pub. L. 103-355, 108 Stat. 3327) and (d) 49 C.F.R. Part 29 "Government-wide Debarment and Suspension (Nonprocurement)."

**Debt Service Payment Date** means each date on which principal of, or interest on the Bonds is due and includes, but is not limited to, the maturity date of any Bond, each Interest Payment Date and the date of any redemption payment on any Bond.

**Debt Service Reserve Accounts** means, collectively, the Senior Debt Service Reserve Account, the Subordinate Debt Service Reserve Account, and the respective sub-accounts thereof.

**Debt Service Reserve Requirement** means, (a) with respect to each Series of Senior Bonds, (i) prior to the End of Funding Date, on and following each date indicated on the table titled "New Facilities Construction Milestones in "PART 9 – PLAN OF FINANCE – Construction Period Interest and Debt Service Reserve Requirements," an amount equal to the sum of (x) the amount set forth in the Applicable Debt Service Reserve Requirement column of such table with respect to such date, and (y) amounts set forth in the Applicable Debt Service Reserve Requirement column of such table with respect to each date that has previously occurred, and (ii) on and after the End of Funding Date, on each Transfer Date, an amount equal to the aggregate amount of the interest and principal that will become due and payable during the next succeeding six (6) month period, and (b) with respect to each Series of Subordinate

Bonds, the amount (if any) specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds were issued.

**Debt Service Reserve Sub-Accounts** means, Senior Debt Service Reserve Sub-Accounts and the Subordinate Debt Service Reserve Sub-Accounts.

**Default Interest Rate** means the default interest rate payable under the Financing Documents.

**Defaulted Interest** means interest on any Bond that is due and payable but not paid on the date due.

**Defeasance Obligations** means government obligations that are not subject to redemption (other than at the option of the holder thereof) prior to the date or dates on which the proceeds thereof are required pursuant to the terms of the Indenture.

**Defect** means a defect or deficiency in the condition or performance of any component of the Construction Project, whether by design, construction, installation, damage or wear, affecting the condition, use, functionality, or operation of any component of the Construction Project, that would cause or have the potential to cause one or more of the following:

(a) a hazard, nuisance or other risk to public or worker health or safety, including the health and safety of any user of or service provider to the Airport;

(b) a structural deterioration of any component of the Construction Project;

(c) damage to a third party's property or equipment;

(d) damage to the environment to the extent arising from a breach of the Lease Agreement by the Borrower; or

(e) failure of any component of the Construction Project to meet any of the requirements or standards set forth in the Lease Agreement with respect to the Operations and Maintenance Work.

**Delay Event** means any of the events or conditions set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Delay Events.”

**Delay Event Notice** means written notice from the Borrower to the Port Authority in accordance with the Lease Agreement that an event has occurred that the Borrower claims is a Delay Event.

**Delta** or **Delta Air Lines** means Delta Air Lines, Inc.

**Delay LDs** means liquidated damages payable in the amounts and at the times set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – Delay and Liquidated Damages” in the Official Statement for failure to achieve Partial Completion with respect to the New Facilities Construction Milestones or Substantial Completion by the applicable Delay LDs Date.

**Delay LDs Date** means, with respect to (1) any New Facilities Construction Milestone, the date identified in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project” in the Official Statement or (2) Substantial Completion, July 8, 2022, in each case as such date may be adjusted only as expressly permitted under the Design-Build



Contract in connection with a Developer Act, a Developer Suspension, a Lessee Change, a Developer Change or a Port Authority change. For the avoidance of doubt, such dates shall not be adjusted in connection with a Compensation Event or a Delay Event.

**Demolition Debris** means the solid waste that is created by the demolition, crushing, breaking, excavation, removal, disposal or destruction of the Current Facilities.

**Demolition Facilities** shall mean (a) the Existing Terminal B Facilities, (b) the Existing CHRP, (c) the Central Electric Substation, (d) the P2 Garage, (e) Hangar 1, (f) the National Grid Gate and Governor Station, (g) frontage roads associated with the P2 Garage, Hangar 1 and the Existing Terminal B Facilities, (h) temporary facilities to support passenger services during construction of the New Terminal B Facilities and (i) other ancillary facilities required to be demolished in accordance with the Requirements and Provisions for Work.

**Deposit Account Bank** has the meaning set forth in “SUMMARY STATEMENT – Security for Series 2016 Bonds” of the Official Statement.

**Design-Build Contract** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT” in the Official Statement.

**Design-Builder** means, collectively, a joint venture among Skanska USA Building Inc., Skanska USA Civil Northeast Inc. and Walsh Construction Company II, LLC.

**Design-Builder Act** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Indemnification – Additional Indemnification by the Design-Builder.”

**Design-Builder Event of Default** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Termination of the Lease Agreement – Design-Builder Events of Default.”

**Design-Builder Governmental Approvals** means all governmental approvals in respect of the DB D&C Work other than governmental approvals to be obtained or maintained by the Port Authority pursuant to the Lease Agreement or that are identified in the Design-Build Contract as being obligations of the Borrower.

**Design-Builder-Provided Insurance** means the insurance required to be procured and maintained by the Design-Builder, which includes a subcontractor default insurance policy and/or other performance security, such as subcontractor-provided payment and performance bonds or letters of credit, and insurance for its tools and equipment (and insurance required pursuant to the TCAP) and, with respect to DB Subcontractors, auto insurance and insurance for their tools and equipment.

**Design-Builder’s Representative** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Dispute Resolution.”

**Design and Construction Requirements** means the Terminal B Facilities design and construction requirements, the New Improvements design and construction requirements and the Central Hall design and construction requirements.

**Design Documents** means all Record Documents, all drawings (including plans, profiles, cross-sections, notes, elevations, typical sections, details and diagrams), design criteria, specifications, reports, studies, calculations, electronic files, records and submittals necessary for, or related to, the design of the Construction Project. Design Documents include the Final Design Documents.

**Design NTP** means the Notice to Proceed issued by the Port Authority to the Borrower authorizing the Borrower to proceed with Design Work.

**Design Work** means all D&C Work related to the design, redesign, engineering and architecture for the Construction Project (including the New Improvements and the Central Hall) in accordance with the Project Documents, but excluding Construction Work and Operations and Maintenance Work.

**Developer Act** means (1) any breach of the Design-Build Contract by the Borrower; (2) any breach of the Design-Build Contract by the Design-Builder directly caused by the acts or omissions of the Borrower or any contractor retained by the Borrower to perform any obligation of the Borrower with respect to the D&C Work or the Operations and Maintenance Work (but specifically excluding, in all cases, any act or omission of any sublessee or Scheduled Aircraft Operator or the Port Authority) or (3) gross negligence, willful misconduct or actual fraud of the Borrower. For the avoidance of doubt, the reference to contractors in clause (2) of this definition shall exclude the Design-Builder and the DB Parties.

**Developer Change** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Change Orders and Directives – Developer Changes.”

**Developer DB Event of Default** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Termination of the Lease Agreement – Developer DB Events of Default.”

**Developer Payment Default** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Termination of the Lease Agreement – Developer DB Events of Default.”

**Developer-Provided Insurance** means insurance that the Developer is required to procure and maintain under the Design-Build Contract.

**Developer Suspension** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Design and Construction of the Construction Project – Suspension of the D&C Work” and, for the avoidance of doubt, does not include any suspension initiated by the Port Authority.

**Developer’s Representative** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Dispute Resolution.”

**Direct Agreements** has the meaning set forth in “PART 1 – INTRODUCTION” in the Official Statement.

**Disclosure Counsel** means Dentons US, LLP and Law Offices of Joseph C. Reid, or other law firm or firms selected by the Issuer, with the consent of the Borrower, which consent shall not be unreasonably withheld, who have nationally recognized expertise in the issuance of municipal securities

and compliance with federal securities laws, rules and regulations in connection with the offering and sale of such securities.

**Directive Letter** means a directive letter delivered by the Port Authority to the Borrower pursuant to the Lease Agreement directing the Borrower to proceed with the implementation of a Port Authority change.

**Disbursement Request** means disbursement request of the Borrower under the Lease Agreement.

**Discriminatory Applicable Standards Change** means an Applicable Standards Change which applies, or could reasonably be expected to apply, in a manner materially adverse to the Borrower or the Work, or non-airline terminal operators at the airports for which the Port Authority is the airport operator or the terminal operations of such non-airline terminal operators, and does not apply, or could not reasonably be expected to apply, to other Persons.

**Discriminatory Change in Law** means a Change in Law which applies, or could reasonably be expected to apply, in a manner materially adverse to the Borrower or the Work, or non-airline terminal operators at the airports for which the Port Authority is the airport operator or the terminal operations of such non-airline terminal operators, and does not apply, or could not reasonably be expected to apply, to other Persons.

**Dispute Board** means a board composed of three members appointed in the Design-Build Contract or pursuant to the Dispute Board Rules.

**Dispute Board Rules** means the rules governing the Dispute Board, including its establishment, operation, services, and compensation; the procedures for obtaining informal assistance from the Dispute Board through mediation; the procedures for formal referral of disputes to the Dispute Board for resolution; the procedures for resolution of disputes by the Dispute Board through the issuance of decisions; and the effect of the Dispute Board's decisions, all as set forth in the Design-Build Contract.

**Disputed Payment Amount** means payments or other receipts received by the Borrower (including, without limitation, from any airline) that are subject to a dispute.

**Distributable Unused Contingency Amount** means (1) if the ratio of (i) the Unused Contingency PA-Eligible Amount to (ii) the Unused Contingency Amount is equal to or greater than thirty-five percent (35%), the Unused Contingency Amount; otherwise (2) the amount equal to the Unused Contingency PA-Eligible Amount divided by thirty-five percent (35%).

**Distribution Account** means the "Distribution Account" established pursuant to the Collateral Agency Agreement.

**DSCR Calculation Period** means, as applicable, (i) each DSCR Initial Stub Period, (ii) any 12-month period beginning after the End of Funding Date and ending on a Calculation Date, or (iii) on a forward-looking basis, any 12-month period beginning on a Calculation Date.

**DSCR Initial Stub Period** means each period from the End of Funding Date to any Calculation Date occurring prior to the first anniversary of the End of Funding Date.

**DTC** means The Depository Trust Company.

**Early Termination** means the termination of the Lease Agreement for any reason prior to the Expiry Date (other than any partial termination with respect to the Central Hall).

**Early Termination Date** means the effective date of Early Termination.

**East End Substation** means a new substation, to be constructed by the Port Authority as a Supporting Project on the east side of the Airport, to serve the New Terminal B Facilities, the Central Hall and the East End Terminals.

**East End Terminals** means Terminal C and Terminal D located at the Airport.

**East Garage** means a new five (5)-story garage on the P4 lot located to the east of the New Terminal B Facilities and south of Terminal C. The East Garage provides approximately 1,100 new parking places and replaces the P2 Garage, which will be demolished by the Design-Builder as part of the DB Construction Work.

**Electronic Means** means telecopy, facsimile transmission, e-mail transmission containing a PDF copy of the signature of the party delivering the communication, or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other Electronic Means.

**Eligible Investments** means:

(a) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), (x) bonds, debentures or notes issued by any of the following federal agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Banks, (y) obligations issued or guaranteed by an agency of the United States or Person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress and (z) evidences of ownership of proportionate interests in future interest or principal payments on obligations specified in the foregoing clauses (w), (x) and (y) held by a bank or trust company as custodian and which underlying obligations are not available to satisfy any claim of the custodian or any Person claiming through the custodian or to whom the custodian may be obligated;

(b) Investments in commercial paper or tax-exempt obligations having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) Investments in certificates of deposit, banker's acceptances and time deposits issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) Investments in federal funds, certificates of deposit, time deposits and banker's acceptances having maturities of not more than 365 days, of any bank, the short-term debt obligations of which are rated not lower than A-1 by S&P and P-1 by Moody's;

(e) Investment agreements, including guaranteed investment contracts, repurchase agreements and forward delivery agreements, that are obligations of an entity whose senior long term debt obligations, deposit rating or claims-paying ability are rated, or guaranteed by an entity whose obligations are rated, (at the time the investment is entered into) not lower than A2 by Moody's or its equivalent from another Nationally Recognized Rating Agency;

(f) money market funds or qualified investment funds given one of the two highest long term ratings available from S&P and Moody's; and

(g) commercial paper rated A-1 by S&P and P-1 by Moody's and maturing in 365 days or less and does not have an "r" suffix attached to its rating;

(h) deposits that are fully insured by the FDIC and do not have an "r" suffix attached to their rating; and

(i) principal only strips and interest only strips of noncallable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York.

**Eligible LC Issuer** has the meaning set forth in "PART 9 – PLAN OF FINANCE – Member Equity –Equity Letters of Credit" in the Official Statement.

**End of Funding Date** has the meaning set forth in "PART 4 – FLOW OF FUNDS UNDER THE COLLATERAL AGENCY AGREEMENT – Flow of Funds Pre-Substantial Completion."

**Enforcement Action** means any action, whether by judicial proceedings or otherwise, to enforce any of the rights and remedies granted to the Collateral Agent and/or the Secured Parties pursuant to the Security Documents against the Collateral of the Borrower upon the occurrence and during the continuance of an event of default under any Financing Document.

**Entitlement Order** shall have the meaning given such term in Section 8-102 of the UCC.

**Environment** means air, soils, surface waters, groundwater, land, stream sediments, surface or subsurface strata, biological resources, including endangered, threatened and sensitive species and natural systems, including ecosystems.

**Environmental Law** shall mean federal, state, and local laws, statutes, ordinances, rules, regulations, judgments, guidance documents, governmental approvals, licenses, authorizations, registrations, plans, directives, agreements, consent orders or consent decrees, and other requirements of Governmental Entities, whether now existing or hereafter enacted or promulgated, as the same have been or may be amended from time to time, including common law causes of action and all applicable judicial and administrative decisions, orders, and decrees, arising out of, relating to or imposing liability or standards of conduct concerning protection of human health, safety or the Environment or Hazardous Materials including the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. § 5101 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Toxic Substances Control Act (15 U.S.C. § 2601 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. § 651 *et seq.*), the Oil Pollution Act (33 U.S.C. § 2701 *et seq.*), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the National Environmental Policy Act (42 USC § 4321 *et seq.*), the State Environmental Quality Review Act (SEQRA) (NY ECL § 8-0101 *et seq.*) and any analogous current

or future federal, state, municipal, city or local laws, including newly-enacted Applicable Laws concerning the Environment or Hazardous Materials, and any amendments or modifications as may be adopted or promulgated from time to time.

**Environmental Requirements** means all requirements under Environmental Laws and under the Applicable Standards pertaining to the protection of the Environment, including the NEPA Documents, together with the other requirements, policies and guidelines of the Port Authority set forth in the Lease Agreement, which are applicable to (a) the Premises, (b) the Work performed by the Borrower, the contractors (including the Design-Builder and any DB Subcontractors) or others with the consent of the Borrower at the Premises or the Borrower's operations at the Airport, (c) the occupancy and use of the Premises by the Borrower, the sublessees or by others with the Borrower's consent or (d) any Hazardous Material on, in, under or originating from the Premises, in each case without regard to any exemption from Applicable Law that the Port Authority may be subject to as a result of its status as multi-jurisdictional agency. For the avoidance of doubt, Environmental Requirements include the requirements of governmental approvals for which the Port Authority is responsible applicable to the Premises or the Work.

**Equity Contribution** has the meaning set forth in "PART 9 – PLAN OF FINANCE – Member Equity – Aggregate Capital Commitment" in the Official Statement.

**Equity Contribution Agreement** means that certain Equity Contribution Agreement, dated as of the Issuance Date, by and among the Equity Members, the Borrower, and the Collateral Agent, as it may be amended, supplemented or modified from time to time.

**Equity Contribution Letters of Credit** means the Equity Letters of Credit in favor of the Collateral Agent, issued in accordance with the Equity Contribution Agreement.

**Equity Contribution Sub-Account** means the "Equity Contribution Sub-Account" established and created within the Construction Account pursuant the Collateral Agency Agreement.

**Equity Member** has the meaning set forth in "SUMMARY STATEMENT – The Borrower" in the Official Statement.

**Equity Member Debt** means any obligations created, issued or incurred by the Borrower for borrowed money that: (a) is owed to any Equity Member or any Affiliate thereof or of the Borrower and (b) is subordinated in priority of payment and security to all indebtedness held by Persons who are not Equity Members or any Affiliate thereof.

**Equivalent Project Relief** has the meaning set forth in "PART 10 – THE DESIGN-BUILD CONTRACT – Equivalent Project Relief" in the Official Statement.

**Event of Default**, (i) with respect to the Lease Agreement, has the meaning set forth in "PART 8 – THE LEASE AGREEMENT –Termination Rights – Borrower Events of Default" in the Official Statement, and (ii) with respect to any other agreement, has the meaning set forth in the applicable agreement.

**Event of Default Notice** means a notice delivered by the Port Authority to the Borrower, with a copy to the Recognized Mortgagees, declaring that an Event of Default has occurred.

**Excavated Materials** means all soil, rock, debris, trash and other solid material excavated from beneath the Premises, as required to complete the Work, but not when excavated outside of the Excavation Zone as part of a Remedial Action that the Borrower is required to perform pursuant to the Lease Agreement or the Design-Builder is required to perform pursuant to the Design-Build Contract, as applicable, in order to remove or remediate a Hazardous Environmental Condition.

**Excavation Zone** means (a) prior to the Final Acceptance Date, the areas excavated in connection with the performance of the Construction Work, plus a buffer zone of up to 10 feet outside such area; provided, that (i) the buffer zone will be limited to five feet on either side of an excavation that is less than 10 feet wide, (ii) the buffer zone will be to the nearest property boundary, building or structure if that distance is less than 10 feet from the excavation (or five feet if clause (i) above is applicable), and (iii) the depth of the buffer zone is the shallower of average groundwater depth or one foot below the intended bottom depth of the excavation, or (b) after the Final Acceptance Date, the areas excavated in connection with the performance of the Construction Work.

**Excepted DB Subcontractor** means a DB Subcontractor performing DB D&C Work under a DB Subcontract with a value of Five Hundred Thousand Dollars (\$500,000) or less, individually or in the aggregate.

**Excluded Liabilities** means any debts, liabilities and obligations, whether such debts, liabilities or obligations are initially charged to the Port Authority, the Borrower or any other Person, with respect to any of the following:

- (i) the Port Authority's obligations under the Lease Agreement;
- (ii) any claims or liens arising out of the operation or maintenance of the Current Facilities and incurred or accrued during the period prior to the effective date of the Lease Agreement (including any claims arising under employment or labor law or under contracts or arrangements with or regarding employees of the Port Authority, including obligations in respect of benefits accrued but not vested at the effective date of the Lease Agreement), except for claims or liens relating to environmental liabilities, which are governed exclusively by Article 16 of the Lease Agreement;
- (iii) any contract to which the Port Authority is a party for the performance of services or the provision of goods or services at the Premises or the Current Facilities which will continue to be retained by the Port Authority;
- (iv) any Assigned Terminal B Facilities Agreement, but solely with respect to debts, liabilities and obligations of the Port Authority arising therefrom prior to the effective date of the Lease Agreement;
- (v) arising out of utility rights reserved to the Port Authority pursuant to the Lease Agreement and utility rights reserved to the City of New York pursuant to the Lease Agreement and the sewers, water mains, water and wastewater conduits, wastewater treatment facilities, sludge lines, a sludge dock and a sludge tank, power lines, telephone and signal lines, meters and other facilities to which the City of New York retains ownership and control pursuant to the City Lease and which will not be part of the Premises and are not subject to the Lease Agreement; and
- (vi) with respect to any excluded environmental liabilities as set forth in Section 16.17(a) of the Lease Agreement.

**Existing Airline Sublease** has the meaning set forth in “PART 12 – AERONAUTICAL REVENUES –Existing Terminal B Facilities and Existing Airline Subleases” in the Official Statement.

**Existing CHRP** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project” in the Official Statement.

**Existing Facilities** means the Existing Terminal B Facilities and the Existing CHRP.

**Existing Terminal B Facilities** means the LaGuardia Airport Central Terminal Building (also known as “Terminal B”), including contiguous aircraft ramp areas.

**Expertise Agreement** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Restrictions on Assignments and Terminal Operator Change in Control – Restrictions on Terminal Operator Change in Control.”

**Expiry Date** means 11:59 pm New York City time on the 30<sup>th</sup> day of December 2050, or if earlier, upon the termination of the City Lease.

**FAA** has the meaning set forth in “PART 5 – LAGUARDIA AIRPORT –Passenger and Air Traffic – Operating Authorizations” in the Official Statement.

**Favorable Opinion of Bond Counsel** means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel to the effect that such action is permitted under the Act and the Indenture and, with respect to any action relating to a Series of Tax-Exempt Bonds, will not impair the exclusion of interest on the Series of Tax-Exempt Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the Opinion of Bond Counsel delivered upon original issuance of such Series of Tax-Exempt Bonds).

**Federal Book-Entry Regulations** means (a) the United States Department of the Treasury’s regulations governing “Securities” (as defined in 31 C.F.R. § 357.2) issued by the United States Treasury and maintained in the form of entries in the federal reserve banks’ book-entry system known as the Treasury/Reserve Automated Debt Entry System (TRADES), as such regulations are set forth in 31 C.F.R. Part 357 and (b) regulations analogous and substantially similar to the regulations described in clause (a) above governing any other automated book-entry system operated by the United States federal reserve banks in which securities issued by government sponsored enterprises are issued, recorded, transferred and maintained in book-entry form.

**Financing Documents** means, collectively, the Funding Agreements and the Security Documents.

**Final Acceptance** means the occurrence of all the events and satisfaction of all the conditions set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Substantial Completion” with respect to the entire Construction Project other than the Central Hall, as evidenced by the issuance of a Certificate of Final Acceptance by the Port Authority to the Borrower.

**Final Acceptance Date** means the date upon which the Borrower achieves Final Acceptance of the entire Construction Project.



**Final Design Documents** means the complete final construction drawings, including plans, profiles, cross-sections, notes, elevations, typical sections, details and diagrams, design criteria, specifications, reports, studies, calculations, electronic files, records and submittals prepared by the Borrower and approved by the Port Authority, necessary or related to construction and maintenance of the Construction Project.

**First Additional Rent** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Permitted O&M Expenses; Rental Payments by the Borrower – First Additional Rent.”

**Fiscal Year** means with respect to:

(a) the Port Authority, the twelve months commencing on July 1 of any calendar year and ending on June 30 of such calendar year, or any other 12-month period which the Port Authority designates as its fiscal year and;

(b) the Borrower, the twelve months commencing on January 1 of any calendar year and ending on December 31 of such calendar year, or any other 12-month period which the Borrower designates as its fiscal year.

**Fitch** means Fitch, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency.

**Float** means the amount of time that any given activity or logically connected sequence of activities shown on the Project Baseline Schedule may be delayed before it will affect any Guaranteed New Facilities Construction Milestone Completion Date or the Guaranteed Substantial Completion Date. Such Float is generally identified as the difference between the early completion date and late completion date for all activities as shown on the Project Baseline Schedule.

**Force Majeure Event** means, with respect to each of the Port Authority and the Borrower, the occurrence and continuing impact of an event, act, omission, condition, or circumstance beyond such party’s reasonable control and due to no fault or negligence of such party or the Persons for whom such party is responsible, that prevents or delays such party from performing any of its obligations pursuant to the Lease Agreement, including, subject to the succeeding sentence, (i) war (including civil war and revolution), invasion, armed conflict, violent act of foreign enemy, military or armed blockade, or military or armed takeover of LGA Airport; (ii) any act of riot, insurrection, civil commotion, act of terror or sabotage; (iii) nuclear explosion or radioactive contamination of the Premises or the areas subject to the Temporary Rights of Access; (iv) fire, explosion, earthquake; (v) hurricane force winds, tornadoes, floods, tsunami, named windstorms or snow or ice storms that are not ordinarily encountered at LGA Airport; or (vi) any event as a result of which a state of emergency has been declared. With respect to the Borrower, an event is not a Force Majeure Event if such event is otherwise specifically dealt with in the Lease Agreement or arises by reason of any of the following:

(a) the negligence or willful misconduct of any Borrower-Related Entity;

(b) any act or omission by any Borrower-Related Entity in breach of the provisions of the Lease Agreement (including the standards required by the Requirements and Provisions for Work);

(c) Delay Events, other than Force Majeure Events with respect to any Borrower-Related Entity;

(d) lack or insufficiency of funds or failure to make required payment of monies or provide required security on the part of any Borrower-Related Entity;

(e) any strike, labor dispute or labor protest directed solely at any Borrower-Related Entity or caused by or attributable to any act (including any pricing or other practice or method of operation) or omission of any Borrower-Related Entity;

(f) an earthquake after Substantial Completion that affects the Premises and that causes ground accelerations below the standards required by the Requirements and Provisions for Work;

(g) floods after Substantial Completion that affect the Premises below the base flood levels specified in the Requirements and Provisions for Work;

(h) market conditions and economic conditions affecting the availability, supply, or cost of labor, equipment and materials, construction equipment and supplies, or commodities, other than as a result of the events described in clauses (i) through (vi) above;

(i) market conditions and economic conditions affecting the Borrower's ability to meet its financial obligations; or

(j) weather conditions, other than the events described in clauses (v) and (vi) above.

**Foreclosure Rights** mean the right, pursuant to the Lease Agreement, to foreclose upon the Leasehold Mortgage and to have the Lease Agreement with respect to the Premises assigned to a Qualified Terminal Operator.

**Free Cash Flow** means, for any DSCR Calculation Period, the amount of (A) minus (B), where:

(A) is the sum of:

(i) aggregate Project Revenues received by the Borrower during such DSCR Calculation Period; *plus*

(ii) only in the case of an DSCR Initial Stub Period, any amounts transferred prior to or during such DSCR Initial Stub Period from the Construction Account, the Capitalized Interest Account, the Working Capital Reserve Account or the Pre-Substantial Completion Revenue Account to the Post-Substantial Completion Revenue Account pursuant to the terms of the Collateral Agency Agreement; *plus*

(iii) the amount, if any, released during such DSCR Calculation Period from the Major Maintenance Reserve Account and the O&M Reserve Account to the Post-Substantial Completion Revenue Account pursuant to the Collateral Agency Agreement; *plus*

(iv) the amount, if any, released during such DSCR Calculation Period from the Airline Discount Account to the Post-Substantial Completion Revenue Account pursuant to Section 5.13(d) of the Collateral Agency Agreement; and

(B) is the sum of:

(i) O&M Expenses paid by the Borrower during such DSCR Calculation Period;  
*plus*

(ii) Major Maintenance expenditures paid by the Borrower during such DSCR Calculation Period (other than (a) such expenditures withdrawn from the Major Maintenance Reserve Account, (b) such expenditures withdrawn from the Handback Reserve Account, (c) any draws under any letter of credit or other performance security available for purposes of the Major Maintenance Reserve Account or the Handback Reserve Account, as the case may be, in accordance with the terms of the Collateral Agency Agreement and the Lease Agreement, (d) operating and capital expenditures made with Insurance Proceeds or (e) by the principal amount of borrowed funds (including Additional Bonds) applied to pay Major Maintenance); *plus*

(iii) deposits into the Major Maintenance Reserve Account, O&M Reserve Account, the Handback Reserve Account, and Airline Discount Account during such DSCR Calculation Period; *plus*

(iv) First Additional Rent paid by the Borrower to the Port Authority during such DSCR Calculation Period.

**Full Construction NTP** means the Notice to Proceed issued by the Port Authority authorizing the Borrower to commence Construction Work on the entire Construction Project.

**Funding Agreements** means, collectively, the Indenture, any Supplemental Indenture executed with respect to the Bonds, the 2016 Bonds, any Additional Bonds, the Series 2016 Notes, any Notes relating to the Additional Bonds, the Building Loan Agreement, the Project Loan Agreement, any Additional Bonds Loan Agreement Supplement, the Collateral Agency Agreement, the DB Direct Agreement, the Manager Direct Agreement, the Equity Contribution Agreement, the D&C Guarantees, D&C Letter of Credit, and the Manager Guarantee.

**Funds Transfer Certificate** means the certificate with such name delivered by the Borrower in accordance with the Collateral Agency Agreement.

**GAAP** means such accepted accounting practice as conforms at the time to applicable generally accepted accounting principles in the United States of America, consistently applied; provided, however, that in applying GAAP non-cash adjustments shall not be made.

**General Conditions** means the general conditions set out in the Requirements and Provisions for Work.

**General Manager** means the person or persons from time to time designated by the Port Authority to exercise the powers and functions vested in such General Manager by the Lease Agreement; but until further notice from the Port Authority to the Borrower it shall mean the General Manager (or the temporary or acting General Manager) of the Airport, or any replacement thereof, or his duly designated representative or representatives.

**Government Mandated Operating Expenses** means costs incurred by the Borrower for Operations and Maintenance Work required to be carried out in order for the Premises to be in

compliance with any Applicable Law, including any written requirement or directive of the FAA or TSA, at any time during the term of the Lease Agreement.

**Gross CH Revenues** means, for any period, all revenue (without duplication) received by or on behalf of the Borrower as an agent of the Port Authority pursuant to the Lease Agreement with respect to the operation of the Central Hall.

**Gross Revenues** means, for any period all revenue (without duplication) received by or on behalf of the Borrower during such period, including proceeds from any business interruption insurance, Borrower Damages received by the Borrower (but excluding such damages representing Net Cost Impact), revenue derived from any third-party concession, lease (including any sublease) or contract, and any other receipts otherwise arising or derived from or paid or payable in respect of the Premises, but excluding any Port Authority Funding received by the Borrower, proceeds of borrowings, equity contributions to the Borrower, proceeds of condemnation proceedings and asset sales to the extent that such proceeds are not reinvested in replacement property, and insurance payments other than proceeds from business interruption insurance; provided, that for the purposes of determining Net Revenue Impact, Borrower Damages shall not be included in Gross Revenues. For avoidance of doubt, Gross CH Revenues shall not be included in Gross Revenues.

**Governmental Entity or Governmental Agency** means federal, state, municipal and other governmental authorities, boards and agencies of any state, nation or government, except that such term shall not be construed to include the Port Authority.

**Guaranteed Final Acceptance Date** means the later of (i) November 5, 2022, as such date may be adjusted only as expressly permitted under the Lease Agreement, and (ii) the date that is three (3) months after the Substantial Completion Date.

**Guaranteed New Facilities Construction Milestone Completion Date** means, with respect to any New Facilities Construction Milestone, the date identified in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project” in the Official Statement by which the Borrower guarantees to achieve Partial Completion of such New Facilities Construction Milestone pursuant to the Lease Agreement, as such date may be adjusted only as expressly permitted under the Lease Agreement.

**Guaranteed Substantial Completion Date** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project” in the Official Statement.

**Handback Amount** means the amount determined by an independent, nationally-recognized consultant mutually agreeable to the Port Authority and the Borrower to be an estimate of the amount sufficient to cover all costs necessary to cause the real property and other assets to be returned by the Borrower to the Port Authority upon expiration of the Lease Agreement to meet the requirements and conditions for such real property and assets required pursuant to the Lease Agreement.

**Handback Requirement** means the conditions and requirements in which the Premises are required to be returned to the Port Authority upon termination or expiration of the Lease Agreement, pursuant to the terms of the Lease Agreement.

**Handback Reserve Account** means the “Handback Reserve Account” to be established under the Collateral Agency Agreement pursuant to the Lease Agreement.

**Hangar 1** means the hangar that currently houses American Airlines' baggage handling system.

**Hangar 2** means the hangar identified as Hangar 2 at the Airport.

**Hangar 4** means the hangar identified as Hangar 4 at the Airport.

**Hazardous Environmental Condition** means the presence of any Hazardous Materials on, in or under the Premises or the areas subject to the Temporary Rights of Access in soil or groundwater, in concentrations or in quantities that are required to be removed or remediated under Environmental Law or by a Governmental Entity pursuant to Environmental Law, or otherwise in accordance with the requirements of the Project Documents, but excludes Hazardous Materials in the Current Facilities, Excavated Materials or Demolition Debris.

**Hazardous Materials** means (a) any toxic substance or hazardous waste, hazardous substance or hazardous material, or any pollutant or contaminant; (b) radon gas, asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of federal, state or local safety guidelines, whichever are more stringent; (c) petroleum and any by-products, fractions, derivatives and constituents thereof, of any kind and in any form, including oil, petroleum, fuel, fuel oil, sludge, crude oil, gasoline, kerosene, and mixtures of, or waste materials containing, any of the foregoing; and (d) any other gas, material or chemical which is or may hereafter be defined as or included in the definition of "hazardous substances," "toxic substances," "hazardous materials," "hazardous wastes" or words of similar import under any Environmental Law.

**Hazardous Materials Release** means any spill, leak, emission, release, discharge, injection, escape, leaching, dumping or disposal of Hazardous Materials into the soil, air, surface water, groundwater or indoor or outdoor environment.

**Headhouse Phase Completion Date** has the meaning set forth in APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Port Authority Funding – Port Authority Funding for New Facilities and the Demolition Facilities."

**Incremental Environmental Damages** means the additional out-of-pocket costs, expenses and lost revenues meeting the requirements of the Lease Agreement and any adjustments to the Project Baseline Schedule authorized with respect to a Delay Event under the Lease Agreement arising as a result of the performance by the Borrower of its obligations under the Lease Agreement, in excess of the costs, expenses, lost revenue and time that would have been incurred in the absence of the occurrence of specific conditions or events for which Incremental Environmental Damages are authorized under the Lease Agreement, subject in all respects to the conditions and limitations set forth in the Lease Agreement.

**Indebtedness** means with respect to any Person: (a) indebtedness of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, other than current trade payables (and related accrued expenses) incurred in the ordinary course of business, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (e) any lease which in accordance with GAAP is required to be capitalized on the balance sheet of such Person (and the amount of these obligations shall be the amount so capitalized), (f) all unconditional obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock or other equity interests

of such Person or any warrants, rights or options to acquire such capital stock or other equity interests, (g) all net obligations of such Person pursuant to hedge agreements, (h) all guarantee obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, and (i) all Indebtedness of the type referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien on property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness.

**Indenture** has the meaning set forth in “SUMMARY STATEMENT – Authorization for the Series 2016 Bonds” in the Official Statement.

**Indenture Account Collateral** means, subject to the Indenture, (a) all “accounts” and “funds” established pursuant to the Indenture and funds deposited therein and moneys, funds, instruments, securities and all other property from time to time credited to such “accounts” or “funds,” (b) all “securities accounts” (within the meaning of Section 8-501 of the UCC), all deposit accounts and any and all other bank accounts, and (c) all “proceeds” (as defined under the UCC) of any or all of the foregoing, that is subject to a security interests granted by the Borrower pursuant to the Borrower Security Agreement.

**Indicative Termination Notice** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Termination of the Lease Agreement – Suspension and Termination Rights of the Design-Builder.”

**Initial O&M Period** means the period from the effective date of the Lease Agreement continuing until commencement of operation of any portion of the New Facilities.

**Insolvency Event** means, with respect to a given party, that (1) such party shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, moratorium, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or such party shall make a general assignment for the benefit of its creditors; (2) there shall be commenced against such party any case, proceeding or other action of a nature referred to in clause (1) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; (3) there shall be commenced against such party any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; (4) such party shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in clauses (1), (2), or (3) above, or (5) such party shall generally not or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

**Institutional Lender** means (i) the United States of America, any state or commonwealth thereof or any agency or instrumentality of any of them, any municipal agency, public benefit corporation or public authority, advancing or insuring mortgage loans or making payments which, in any manner, assist in the financing, development, operation and maintenance of projects, (ii) any (A) savings bank, savings and loan association, commercial bank, trust company (whether acting individually or in a fiduciary

capacity) or insurance company organized and existing under the laws of the United States of America or any state or commonwealth thereof, (B) foreign insurance company or commercial bank qualified to do business as an insurer or commercial bank as applicable under the laws of the United States of America (if such qualification is necessary in connection with the acquisition of Borrower Debt), (C) pension fund, foundation or university or college or other endowment fund or (D) real estate investment fund, infrastructure investment fund, investment bank, pension advisory firm, mutual fund, investment company or money management firm, (iii) any “qualified institutional buyer” under Rule 144(A) under the Securities Act or any other similar law hereinafter enacted that defines a similar category of investors by substantially similar terms, (iv) a Governmental Entity acting (directly or through a trust or other single purpose vehicle controlled by it) as a conduit for the purpose of issuing private activity bonds authorized by law for the benefit of the Borrower or (v) any other financial institution or entity designated by the Borrower and approved by the Port Authority; provided, however, that each such entity or combination of such entities, if the Institutional Lender shall be a combination of such entities, shall have individual or combined assets, as the case may be, of not less than \$1,000,000,000 and in no event shall be a Prohibited Party.

**Interest Accrual Period** means the period during which a Bond of a Series accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid or duly provided for (or, if no interest has been paid, from the date of original authentication and delivery of such Series of Bonds) to, but not including, the Interest Payment Date on which interest is to be paid.

**Interest Payment Date** means for the Series 2016 Bonds, each January 1 and July 1, commencing on July 1, 2016, and for any Additional Bonds, as defined in the applicable Supplemental Indenture.

**Interest Payment Sub-Accounts** means, collectively, 2016A Tax-Exempt Bond Interest Payment Sub-Account, the 2016B Taxable Bond Interest Payment Sub-Account, the Subordinate Tax-Exempt Bond Interest Payment Sub-Account, the Subordinate Taxable Bond Interest Payment Sub-Account, and any other sub-account of the Senior Bond Payment Account or Subordinate Bond Payment Account established in respect to of any Series of Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Bonds were issued.

**Interest Payments** means, with respect to a payment date for Secured Obligations, the interest (including the interest component of the Redemption Price due in connection with any mandatory redemption payment on any Secured Obligation) due on such date on the Secured Obligations.

**Insured Bonds** has the meaning set forth “SUMMARY STATEMENT – Security for the Series 2016 Bonds” in the Official Statement.

**Insurance and Condemnation Proceeds Account** means the “Insurance and Condemnation Proceeds Account” established pursuant to the Collateral Agency Agreement.

**Issue Date** or **Issuance Date** means, with respect to a Series of Bonds, the date of delivery of such Series of Bonds by the Issuer, against payment therefor.

**Issuer** has the meaning set forth “SUMMARY STATEMENT – Authorization for the Series 2016 Bonds” in the Official Statement.

**Issuer Assignment Agreements** means those certain Assignment Agreements, dated as of the Issuance Date, by and between the Issuer and the Collateral Agent, as they may be amended, supplemented or modified from time to time.

**Issuer Documents** means, collectively, (a) the Indenture and any Supplemental Indenture, (b) the Tax Certificate, (c) the Loan Agreements, (d) the Bonds, (e) the Issuer Assignment Agreements, (f) the Leasehold Mortgages, and (g) a DTC Letter of Representation.

**Issuer Representative** means the Chair, President, Vice President, Treasurer, or any other officer designated to act by resolution of the Issuer by written certificate furnished to the Trustee containing the specimen signature of such Person and signed on behalf of the Issuer by the Chair. Such certificate may designate an alternate or alternates.

**Key Contract** means:

- (a) any D&C Contract with the Lead Contractor;
- (b) any O&M Contract with the Terminal Operator, if any;
- (c) any Performance Security; and
- (d) any Concessions Management Contract with a Concessions Manager, if any.

**Law** means any federal, state, local and municipal laws, rules and regulations, orders, codes, directives, permits, approvals, decisions, decrees, ordinances or by-laws having the force of law and any common or civil law, whether adopted or enacted prior to or after the date of the Lease Agreement including binding court and judicial decisions having the force of law, and includes any amendment, extension or re-enactment of any of the same in force from time to time and all other instruments, orders and regulations made pursuant to statute, including those made by any Governmental Entity.

**Lead Contractor** means the entity, whether a single entity or a joint venture, that will be primarily responsible for performing the Construction Work. As of the execution of the Design-Build Contract, the Design-Builder will be the Lead Contractor.

**Lease Agreement** has the meaning set forth in “SUMMARY STATEMENT – The Borrower” in the Official Statement.

**Lease Commencement Date** means the Issuance Date.

**Lease Event of Default** means an Event of Default with respect to the Lease Agreement.

**Leasehold Mortgages**, as the context requires, has the meaning set forth in “PART 1 – INTRODUCTION” or, with respect to “PART 8 – THE LEASE AGREEMENT” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT,” means, depending on the context, (i) collectively, any and all leasehold mortgages with respect to the rights of the Borrower under the Lease Agreement entered into on the effective date of the Lease Agreement to secure the obligations of the Borrower under the Financing Documents, or (ii) collectively, any and all leasehold mortgages entered into in connection with any Refinancing permitted under the Lease Agreement, in each case in favor of the Collateral Agent.



**LEED or Leadership in Energy & Environmental Design** means an internationally recognized program that provides building owners and operators with a framework, developed by the U.S. Green Building Council, for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions and third-party verification of green buildings based on the satisfaction of certain prerequisites and earned points required to achieve different levels of certification.

**LEED Gold Certification** is the gold certification established by the LEED Rating System for New Construction & Major Renovation.

**LEED Silver Certification** is the silver certification established by the LEED Rating System for New Construction & Major Renovation.

**Lenders** means, collectively, each bank or financial institution, or any other Person that has provided a commitment to underwrite or provide Borrower Debt or any guaranty (excluding any guaranty of Borrower Debt provided by an Equity Member or an Affiliate thereof) or credit enhancement in respect thereof, together with their respective successors and assigns.

**Lenders' Technical Advisor** has the meaning set forth in "PART 14 – THE CONSULTANTS' REPORTS" in the Official Statement.

**Lessee** means the Borrower.

**Lessee Change** means a change the Borrower wishes to introduce in the Work.

**Lessee Change Request** means a written notice the Borrower must deliver to the Port Authority pursuant to the Lease Agreement setting out information required by the Port Authority pursuant to the Lease Agreement with regard to a Lessee Change.

**Lessee Damages** means Borrower Damages.

**Lessee's Impact Statement** has the meaning set forth APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Change Orders and Directives – Port Authority Changes and Directive Letters."

**Loan Agreements** has the meaning set forth in "SUMMARY STATEMENT – Purpose of Issue" in the Official Statement.

**Lock-Up Accounts** has the meaning set forth in "SUMMARY STATEMENT – Lock-Up Provisions" in the Official Statement.

**Long Stop Deadline** has the meaning set forth in "PART 8 – THE LEASE AGREEMENT – Principal Rights and Responsibilities of the Parties – Design and Construction of the Construction Project" in the Official Statement.

**Major Maintenance** means maintenance, repair, renewal, refurbishing, re-lifting, reconstruction or replacement of any portion or component of the New Facilities of a type which is not normally included as a Permitted O&M Expense, including upgrades, but excluding any D&C Work and routine maintenance.

**Major Maintenance Performance Security** means a letter of credit meeting the requirements of the Lease Agreement deposited to the credit of the Major Maintenance Reserve Account for purposes of meeting all or a portion of the requirement for deposits into such account.

**Major Maintenance Reserve Account** means the “Major Maintenance Reserve Account” established pursuant to the Collateral Agency Agreement.

**Major Maintenance Reserve Requirement** means (i) prior to the End of Funding Date, zero and (ii) following the End of Funding Date, the amount calculated by the Borrower as set forth below with respect to each Calculation Date and certified to the Collateral Agent by the Borrower annually, which amount the Borrower will calculate to be equal, as of each Calculation Date, to the sum of the maintenance capital expenditures anticipated to be due over the succeeding five-year period, based on the then-existing Asset Preservation Schedule, calculated using the following percentage amounts: (i) 100% of the anticipated maintenance capital expenditures for year “N,” *plus* (ii) 80% of the anticipated maintenance capital expenditures for year “N+1,” *plus* (iii) 60% of the anticipated maintenance capital expenditures for year “N+2,” *plus* (iv) 40% of the anticipated maintenance capital expenditures for year “N+3.” and *plus* (v) 20% of the anticipated maintenance capital expenditures for year “N+4,” where “N” is a forward-looking rolling period of four fiscal quarters.

**Make-Whole Redemption Price** is the greater of (i) 100% of the principal amount of the Series 2016B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the Maturity Dates of the Series 2016B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2016B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate plus 30 basis points, plus, in each case, accrued and unpaid interest on the Series 2016B Bonds to be redeemed on the Redemption Date.

**MarketPlace Agreement** means that certain Agreement of Lease dated September 19, 1994, between the Port Authority and MarketPlace LaGuardia Limited Partnership (as amended from time to time prior to the effective date of the Lease Agreement).

**Manager** has the meaning set forth in “SUMMARY STATEMENT – Operation and Management of the Project” in the Official Statement.

**Manager Direct Agreement** has the meaning set forth in “PART 1 – INTRODUCTION” in the Official Statement.

**Manager Guarantee** means that certain Manager Guaranty, dated as of the Issuance Date, made by Vantage Airport Group Ltd., in favor of the Borrower and assigned to the Collateral Agent, as it may be amended, supplemented or modified from time to time.

**Management Services Agreement** has the meaning set forth in “SUMMARY STATEMENT – Operation and Management of the Project” in the Official Statement.

**Material Adverse Effect** means a material adverse effect on:

- (a) The business, properties, performance, results of operation or financial condition of the Borrower;
- (b) The legality, validity or enforceability of a Financing Document;

(c) The Borrower's ability to observe and perform its material obligations under any Financing Document; and

(d) The rights of the Secured Parties under the Financing Documents, including in respect of the Collateral created pursuant to the Security Documents or the ability of the Secured Parties to enforce their rights and remedies under the Financing Documents, including such Security Documents,

*provided* that no effect arising out of or in connection with or resulting from any of the following shall be deemed, either alone or in combination, to constitute or contribute to a Material Adverse Effect: (i) general economic conditions or changes therein, (ii) financial, banking, currency or capital markets fluctuations or conditions, including changes in interest rates, (iii) conditions affecting the air transportation industry or construction industry generally, (iv) any action, omission, change, effect, circumstance or condition contemplated by the Financing Documents or attributable to the execution, performance or announcement of the Financing Documents or the transactions contemplated thereby, or (v) events that are Compensation Events or Force Majeure Events.

**Maturity Dates** means the dates on which the Bonds mature, as determined pursuant to the Indenture or the applicable section of any Supplemental Indenture.

**MBE** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Equal Opportunity – Employment Matters.”

**Meridiam Member** has the meaning set forth in “SUMMARY STATEMENT – The Borrower” in the Official Statement.

**Milestone Payments** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Port Authority Funding – Port Authority Funding for New Improvements and Central Hall.”

**Moody's** means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody's” shall be deemed to refer to any other nationally recognized securities rating agency.

**MSRB** means the Municipal Securities Rulemaking Board established pursuant to Section 15(b)(1) of the Securities Exchange Act of 1934.

**MSRB's EMMA system** means the MSRB's Electronic Municipal Market Access System.

**National Grid** means The Brooklyn Union Gas Company d/b/a National Grid NY, or any successor entity.

**National Grid Gate and Governor Station** means the gate and governor station at the Airport operated by National Grid.

**Nationally Recognized Rating Agency** means any nationally-recognized securities rating agency that provides a rating on the Bonds at the request of the Borrower.

**NEPA Documents** means the following:

1. Department of Transportation, Federal Aviation Administration, Eastern Region, Written Reevaluation and Record of Decision for the Environmental Assessment for the Central Terminal Building Redevelopment Program at LaGuardia Airport, Queens New York, December 30, 2015;
2. Department of Transportation, Federal Aviation Administration, Finding of No Significant Impact, Record of Decision, December 10, 2015; and
3. Central Terminal Building Redevelopment Program at LaGuardia Airport, Final Environmental Assessment and Section 4(f) Evaluation, prepared for U.S. Department of Transportation, Federal Aviation Administration, November 2014 (signed December 9, 2014).

**Net Cost Impact** means the aggregate value of any net increase or decrease in the costs incurred by (a) the Borrower that are directly attributable to a Compensation Event or (b) any contractor with respect to performance of any Key Contract that are directly attributable to a Compensation Event and payable by the Borrower from Borrower Damages received by the Borrower under the Lease Agreement, in each case, over the remainder of the term of the Lease Agreement, reflected on an annual basis, as compared with what the Borrower's or such contractor's costs would have been absent the occurrence of the Compensation Event.

**Net Revenue Impact** means the aggregate value of any net increase or decrease in Gross Revenues, over the remainder of the term of the Lease Agreement, reflected on an annual basis directly attributable to a Compensation Event, less any lost Gross Revenues that can reasonably be mitigated by the Borrower (excluding any mitigation of costs subtracted from Net Cost Impact for the same Compensation Event).

**New Agreement** has the meaning set forth in "PART 8 – THE LEASE AGREEMENT – Lenders' Rights And Remedies; Refinancing – New Agreement" in the Official Statement.

**New CHRP** has the meaning set forth in "PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project" in the Official Statement.

**New Facilities** has the meaning set forth in "PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project" in the Official Statement.

**New Facilities Construction Milestone** has the meaning set forth in "PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Phasing of the Construction Project" in the Official Statement.

**New Facilities Construction Milestone Completion Date** means, with respect to any New Facilities Construction Milestone, the date on which Partial Completion is actually achieved with respect to such New Facilities Construction Milestone.

**New Facilities Construction Milestone Default Date** means, with respect to each of the first, second and third New Facilities Construction Milestones, the date that is 12 months after the DB New Facilities Construction Milestone Deadline for the third New Facilities Construction Milestone (Headhouse); with respect to the fourth New Facilities Construction Milestone, the date that is 18 months

after the corresponding DB New Facilities Construction Milestone Deadline; and with respect to the fifth New Facilities Construction Milestone, the date that is 17 months after the corresponding DB New Facilities Construction Milestone Deadline.

**New Improvement and Central Hall Funding Account** means the “New Improvement and Central Hall Funding Account” established pursuant to the Collateral Agency Agreement.

**New Improvements** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project” in the Official Statement.

**New Improvements Milestone Payments** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Port Authority Funding – Port Authority Funding for New Improvements and Central Hall.”

**New Pedestrian Walkway** has the meaning set forth in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Design and Construction of the Construction Project – Scope of the Work.”

**New Terminal B** has the meaning set forth in ‘SUMMARY STATEMENT – Purpose of Issue’ in the Official Statement.

**New Terminal B Facilities** has the meaning set forth in “SUMMARY STATEMENT – The Lease Agreement” in the Official Statement.

**Non-Pledged Receipts** means, collectively, (i) all amounts deposited into the New Improvement and Central Hall Funding Account or the PAF Account, (ii) the Gross CH Revenues and (iii) the Disputed Payment Amounts.

**Non-Qualifying Safety Compliance** means any and all improvements, repair, reconstruction, rehabilitation, restoration, renewal, replacement and changes in configuration or procedures with respect to the Construction Project or the Premises to correct a specific safety condition of the Construction Project or the Premises that (a) a Governmental Entity has reasonably determined to exist by investigation or analysis (for greater clarity, including such conditions that exist despite compliance by the Borrower with the relevant Safety Standards) or (b) the Port Authority has reasonably determined to be required by the then-current Safety Standards, but in the case of this clause (b), excluding any conditions the remediation of which would constitute Qualifying Safety Compliance.

**Non-Qualifying Safety Compliance Order** means a written order or directive issued by the Port Authority to the Borrower pursuant to the Lease Agreement to implement Non-Qualifying Safety Compliance.

**Notice to Proceed** or **NTP** means any written notice issued by the Port Authority to the Borrower, in accordance with the Lease Agreement, authorizing the Borrower to proceed with the Work described therein.

**O/A Order** has the meaning set forth in “PART 5 – LAGUARDIA AIRPORT – Passenger and Air Traffic – Operating Authorizations.”

**O&M Contract** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Restrictions on Assignments and Terminal Operator Change in Control – Restrictions on Terminal Operator Change in Control.”

**O&M Expenses** means, for any period, any actual expenditure by the Borrower in performing Operations and Maintenance Work including (a) wages, salaries, fringe benefits and other payroll costs or remuneration (including reimbursement of employee expenses) paid to or for employees employed for the benefit of the Operations and Maintenance Work, (b) the cost of routine maintenance, repairs, improvements, alterations and changes related to the areas in the Premises, including payments to contractors and suppliers for cleaning, rubbish removal, snow removal, facility maintenance, equipment maintenance, extermination and other cleaning and maintenance services furnished by such contractors and suppliers, (c) payments for electricity, water, sewer rents and other fuel and Utility services, (d) the cost of provision, maintenance, repair and replacement of fixtures, furniture, furnishings, operating supplies, equipment and tools, (e) (i) the cost of any insurance carried by the Borrower with respect to the Premises or the Operations and Maintenance Work or with respect to any accident or casualty occurring with respect thereto and (ii) the cost of any such accident or casualty paid for by the Borrower to the extent such accident or casualty is not reimbursed by insurance proceeds and such accident or casualty was not caused by the gross negligence or willful neglect of the Borrower, (f) the costs of (i) telephone, telegraph, postage, messenger service and other communications services and (ii) trucking and other shipping services, (g) payments for rental of leased equipment and supplies, (h) payments to third parties for legal, accounting, architectural, engineering, space planning and other professional services and other professional fees paid to third parties, (i) advertising and promotional expenses paid to third parties, (j) taxes actually paid by the Borrower including excise taxes, New York City sales and use tax and taxes on utilities or on the provision of utility services but excluding New York State Corporation Franchise tax, New York City General Corporation tax and New York City Unincorporated Business tax, (k) costs and fees incurred in connection with the obtaining and maintaining in effect of any governmental approval from any Governmental Entity and filing any reports or requests for review with any Governmental Entity, (l) any fees, charges, penalties, judgments or other amounts assessed against the Borrower by any Governmental Entity except as expressly excluded below, (m) costs and fees incurred in the development, implementation and operation of computer systems, (n) costs incurred by the Borrower, including reasonable attorney’s fees, for adjudication, arbitration, mediation or other dispute resolution mechanisms used to resolve disputes between the Borrower and the Port Authority or third parties, (o) amounts payable to third parties for services provided as part of the Operations and Maintenance Work, including financial services and any other services, (p) amounts refunded to sublessees and other third parties with respect to amounts overpaid by such Persons, (q) amounts payable in respect of the Borrower’s indemnification obligations to the Port Authority or third parties unless such obligation results from the willful misconduct, negligence, or other culpable act, error or omission of the Borrower, (r) Base Rent (but not First Additional Rent or Second Additional Rent), (s) fees and other amounts that are paid to the Terminal Operator under the O&M Contract, including with respect to Operations and Maintenance Work performed with respect to the Central Hall, (t) prior to any partial termination of the Lease Agreement solely with respect to the Central Hall, any expenses incurred with respect to Operations and Maintenance Work performed with respect to the Central Hall, (u) Government Mandated Operating Expenses; and (v) from and after the time that the hydrant fueling system related to the Terminal B Facilities is activated for airline use, amounts payable to the Port Authority pursuant to the Lease Agreement with respect to capital and operating costs of such hydrant fueling system, together with interest thereon.

**O&M Period** means the period (a) commencing when both (i) the New Facilities are in full operation and (ii) operation of all portions of the Existing Facilities has permanently ceased, and

(b) continuing until the first to occur of December 30, 2050, the termination of the City Lease or earlier termination of the Lease Agreement in accordance with the terms thereof.

**O&M Reserve Account** means the “O&M Reserve Account” established pursuant to the Collateral Agency Agreement.

**O&M Reserve Requirement** means, as of any date (a) prior to the End of Funding Date, zero, and (b) from and after the End of Funding Date, twenty-five percent (25%) of the budgeted O&M Expenses for the calendar year in which such date falls, as shown in the annual operating budget for the applicable calendar year and certified to the Collateral Agent by the Borrower annually.

**OFAC** means the Office of Foreign Asset Control of the United States Department of the Treasury.

**Operating Account** means the “Operating Account” established pursuant to the Collateral Agency Agreement.

**Operating Authorization** has the meaning set forth in “PART 5 – LAGUARDIA AIRPORT – Passenger and Air Traffic – Operating Authorizations.”

**Operating Cashflow Sub-Account** means the “Operating Cashflow Sub-Account” established pursuant to the Collateral Agency Agreement.

**Operations and Maintenance Work** means all Work related to the operation, management, administration, and maintenance of the Terminal B Facilities and the Central Hall, including asset preservation work and Major Maintenance and any repair, modification, reconstruction, rehabilitation, restoration, renewal and replacement of the Terminal B Facilities and the Central Hall, all as required under the Lease Agreement, the Requirements and Provisions for Work and the other Project Documents, but excluding the D&C Work. Operations and Maintenance Work includes the operation and maintenance of (a) the Existing Terminal B Facilities prior to demolition thereof, (b) temporary facilities to support passenger services during construction of the New Terminal B Facilities, (c) the New Terminal B Facilities, (d) the new pedestrian walkway, (e) the Existing CHRP prior to demolition thereof, (f) the New CHRP, (g) the CRWD, (h) the portion of the new hydrant aircraft fueling infrastructure located within the New Terminal B Facilities’ ramp and (i) the Central Hall.

**Other Redevelopments** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Related LaGuardia Airport Terminal Projects.”

**Outstanding** means, when used with respect to Bonds as of any date of determination, all Bonds that have been executed, authenticated and delivered under the Indenture, except:

(a) any Bond, or portion thereof, on which all principal and interest due or to become due on or before maturity has been paid;

(b) any Bond, or portion thereof, on which the Redemption Price due or to become due has been paid in accordance with the redemption provisions applicable to such Bond;

(c) Bonds in lieu of which other Bonds have been executed, authenticated and delivered pursuant to the provisions of the Indenture relating to the transfer and exchange of Bonds or the replacement of mutilated, lost, stolen or destroyed Bonds;

(d) Bonds that have been canceled by the Trustee or that have been surrendered to the Trustee for cancellation;

(e) Bonds which, under the terms of the Supplemental Indenture pursuant to which they were issued, are deemed to no longer be Outstanding; and

(f) Bonds that have been defeased pursuant to and in accordance with the Indenture.

**P2 Garage** means the existing five-story P2 parking lot containing approximately 2,700 parking spaces serving the Existing Terminal B Facilities, scheduled for demolition by the Borrower (or by the Design-Builder pursuant to the terms of the Design-Build Contract) in accordance with the Requirements and Provisions for Work for the Terminal B Facilities.

**PAF Account** means the segregated account established by the Port Authority with the Collateral Agent as set forth in the Financing Documents to facilitate payment of the Port Authority Funding, whether from PFC Funding or other sources available to the Port Authority, to the D&C Contractor or other specified Contractors entitled to such payments.

**PAF Account Withdrawal Certificate** means the certificate delivered by the Borrower to the Port Authority under the Collateral Agency Agreement, requesting that the Port Authority deposit fund into the PAF Account to pay the D&C Contractor or other specified contractors.

**Partial Completion** means the occurrence of all events and satisfaction of all conditions set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project - Partial Completion” with respect to a Construction Segment or a New Facilities Construction Milestone, as applicable, as evidenced by the issuance of a TCAO by the Port Authority to the Borrower for such portion of the Construction Project.

**Partial Termination Date** means the date of any partial termination of the Lease Agreement solely with respect to the Central Hall, as specified in a Partial Termination Notice.

**Partial Termination Notice** means any written notice delivered to the Borrower by the Port Authority partially terminating the Lease Agreement solely with respect to the Central Hall, in accordance with the terms of the Lease Agreement.

**Participant** means a member of or a participant in the Securities Depository.

**Party** means, with respect to any written agreement, a party to such agreement.

**Passenger Facility Charges** or **PFCs** means passenger facility charges governed by 14 C.F.R. Part 158, imposed by a public agency on passengers enplaned at a commercial service airport it controls.

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

**Performance Fee** means the portion of the payment due to the Manager under the Management Services Agreement designated as the “Performance Fee.”

**Performance Fee Account** means the “Performance Fee Account” established pursuant to the Collateral Agency Agreement.



**Performance Fee Account Requirement** means the monthly amount to be transferred into the Performance Fee Account as certificated to the Collateral Agent by the Borrower, which amount shall be sufficient to ensure that the Performance Fee Account contains sufficient funds to satisfy the Borrower's payment obligations with respect to the performance fee due the Manager under the Management Services Agreement on each date when such payment is due thereunder, and shall reflect monthly accruals of such performance fee amounts and semi-annual adjustments.

**Performance Security** means the Construction Security and any other performance security provided under the Key Contracts.

**Permanent Rights of Access** means those certain easements, rights of way and other agreements for access and use of those portions of the Airport Premises (as identified in the Lease Agreement) for ingress and egress on foot and in vehicles, Utilities and other purposes during the term of the Lease Agreement and as set forth in the Lease Agreement or otherwise granted by the Port Authority to the Borrower.

**Permitted Indebtedness** means:

- (a) any Indebtedness of the Borrower under the Financing Documents;
- (b) Indebtedness of the Borrower to an Equity Member as a result of Equity Member Debt pursuant to the Lease Agreement;
- (c) purchase money obligations or capitalized leases incurred by Borrower to finance discrete items of equipment not comprising an integral part of the Project and that do not have in the aggregate annual debt service or lease payment obligations exceeding \$500,000; and
- (d) and amounts payable under the Lease Agreement, the D&C Contract, the Management Services Agreement, or any other material contracts in connection with the Project, to the extent the same constitute Indebtedness.

**Permitted Security Interest** means:

- (a) Any Security Interest arising by operation of Law or any Security Interest arising in the ordinary course of business in connection with or to secure the performance of bids, tenders, contracts, leases, statutory obligations, surety bonds or appeal bonds;
- (b) Any mechanic's, materialmen's, workmen's, repairmen's, employees', warehousemen's, carriers' or any like lien or right of set-off arising in the ordinary course of business or under applicable Law, securing obligations incurred in connection with the Project which are not overdue by more than thirty (30) days or are being contested in good faith;
- (c) Any right of title retention in connection with the acquisition of assets in the ordinary course of business;
- (d) Any Security Interest for taxes, assessments or governmental charges not yet due or being contested in good faith;

- (e) Any Security Interest arising out of judgments or awards fully covered by insurance or with respect to which an appeal or proceeding for review is being prosecuted, enforcement has been stayed or bonded;
- (f) Any Security Interest created pursuant to or contemplated by the Financing Documents or to secure Secured Obligations;
- (g) Any right of set-off arising under a Financing Document;
- (h) Any other lien granted over assets with a value not exceeding \$2,000,000 (or its equivalent) in the aggregate;
- (i) Any Security Interest incurred or deposit made in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits;
- (j) Any Security Interest arising solely by virtue of any statutory or common law provision relating to banker's liens, rights to set-off or similar rights;
- (k) Any Security Interest existing on the date of authentication and delivery of the Series 2016 Bonds, provided that no such Security Interest may be expanded, renewed or modified to apply to any portion of the Mortgaged Property not subject to such Security Interest on such date, unless such Security Interest as so expanded, renewed or modified otherwise qualifies as a Permitted Security Interest hereunder;
- (l) Licenses or sublicenses of intellectual property granted in the ordinary course of business;
- (m) Any other Security Interest approved in writing by the Trustee; or
- (n) Liens, security interests and encumbrances that do not materially impair the Borrower's ability to perform its obligations under the Lease Agreement or the Financing Documents.

**Permitted O&M Expenses** means, in respect of any period, any expenditure by the Borrower incurred or paid (and calculated in accordance with GAAP, as applicable) in performing Operations and Maintenance Work (other than Operations and Maintenance Work with respect to the Central Hall) that would be customarily and properly included as an operation and maintenance cost, and as would reasonably be incurred by a prudent operator in the conduct of or relating to the operation of a first-class airline terminal, including (a) wages, salaries, fringe benefits and other payroll costs or remuneration (including reimbursement of employee expenses) paid to or for employees employed for the benefit of the Operations and Maintenance Work (provided, that compensation paid to executives of the Terminal Operator shall only constitute Permitted O&M Expenses to the extent that such compensation is market-based), (b) the cost of routine maintenance, repairs, improvements, alterations and changes related to the areas in the Premises, including payments to contractors and suppliers for cleaning, rubbish removal, snow removal, facility maintenance, equipment maintenance, extermination and other cleaning and maintenance services furnished by such contractors and suppliers, (c) payments for electricity, water, sewer rents and other fuel and Utility services, (d) the cost of provision, maintenance, repair and replacement of fixtures, furniture, furnishings, operating supplies, equipment and tools, (e) (i) the cost of any insurance carried by the Borrower with respect to the Premises or the Operations and Maintenance

Work or with respect to any accident or casualty occurring with respect thereto and (ii) the cost of any such accident or casualty paid for by the Borrower to the extent such accident or casualty is not reimbursed by insurance proceeds and such accident or casualty was not caused by the gross negligence or willful neglect of the Borrower, (f) the costs of (i) telephone, telegraph, postage, messenger service and other communications services and (ii) trucking and other shipping services, (g) payments for rental of leased equipment and supplies, (h) payments to third parties for legal, accounting, architectural, engineering, space planning and other professional services and other professional fees paid to third parties, (i) advertising and promotional expenses paid to third parties, (j) taxes actually paid by the Borrower including excise taxes, New York City sales and use tax and taxes on utilities or on the provision of utility services but excluding New York State Corporation Franchise tax, New York City General Corporation tax and New York City Unincorporated Business tax, (k) costs and fees incurred in connection with the obtaining and maintaining in effect of any governmental approval from any Governmental Entity and filing any reports or requests for review with any Governmental Entity, (l) any fees, charges, penalties, judgments or other amounts assessed against the Borrower by any Governmental Entity except as expressly excluded below, (m) costs and fees incurred in the development, implementation and operation of computer systems, (n) costs incurred by the Borrower, including reasonable attorney's fees, for adjudication, arbitration, mediation or other dispute resolution mechanisms used to resolve disputes between the Borrower and the Port Authority or third parties, (o) amounts payable to third parties for services provided as part of the Operations and Maintenance Work, including financial services and any other services, (p) amounts refunded to sublessees and other third parties with respect to amounts overpaid by such Persons, (q) amounts payable in respect of the Borrower's indemnification obligations to the Port Authority or third parties unless such obligation results from the willful misconduct, negligence, or other culpable act, error or omission of the Borrower, (r) Base Rent and, except as otherwise explicitly set forth in the Lease Agreement, First Additional Rent, (s) subject to clauses (i)-(m) below (which clauses (i)-(m) shall be deemed excluded from fees and other amounts payable to the Terminal Operator under the O&M Contract solely for the purposes of this definition of "Permitted O&M Expenses" and related provisions of the Lease Agreement), fees and other amounts that are payable to the Terminal Operator under the O&M Contract, (t) prior to any partial termination of the Lease Agreement solely with respect to the Central Hall, the annual management fee payable to the Lessee for operating and maintaining the Central Hall pursuant to the Lease Agreement, (u) Government Mandated Operating Expenses; provided, that such Government Mandated Operating Expenses were not incurred as a direct result of a breach by the Borrower of any of its obligations under the Lease Agreement or non-compliance by the Borrower with any Applicable Law or Applicable Standards, but only to the extent such expenses exceed the Government Mandated Operating Expenses that the Borrower would have incurred had the Borrower complied with the Lease Agreement, Applicable Law or Applicable Standards, as the case may be, and (v) any other amounts specified in the Lease Agreement to constitute or be payable as Permitted O&M Expenses.

Notwithstanding the above, and without otherwise limiting the generality thereof, the following shall be excluded or deducted from the Permitted O&M Expenses:

- (a) transfer, gains, franchises, inheritance, estate and income Taxes imposed upon any Affiliate or any Person other than the Borrower;
- (b) legal, accounting, tax-related and other professional fees, charges and disbursements paid or incurred by the Borrower or any Affiliate in connection with the legal, accounting, tax-related (excluding Taxes set forth in clause (j) above) or other interests of Affiliates of the Borrower;

(c) excluding the fees described in clauses (s) and (t) above, any allocation of overhead, charges, fees or disbursements for goods or services provided by any Affiliate of the Borrower;

(d) any other fee, payment or disbursement to an Affiliate of the Borrower (excluding any fee, payment or disbursement pursuant to an arm's length agreement on terms not less favorable to the Borrower than if the Borrower had entered into an agreement for similar fees, payments or disbursements with a third party);

(e) penalties assessed against the Borrower for the failure to cure a violation of any Applicable Law or Applicable Standards in circumstances in which the Borrower's violation, or failure to cure such violation, was caused by the willful misconduct or gross negligence of the Borrower;

(f) any costs or charges for goods or services provided or performed in connection with common area maintenance, concession marketing and other services that (i) have been incurred by the Borrower or (ii) have been directly reimbursed by a concession sublessee, airline sublessee, aeronautical user sublessee or other sub-tenant or permittee as a separate item of additional rent or fee, except, in each case, to the extent the revenues associated with such cost or charge are included in Gross Revenues;

(g) any payment, fee, disbursement or other cost, or part thereof, to any third party contractor, agent, supplier, or other party whatsoever, that is above the fair market value under the circumstances for the good or service that is being provided except to the extent incurred pursuant to an arrangement previously entered, into at fair market value;

(h) any payment of Borrower Damages representing Net Cost Impact pursuant to the Lease Agreement;

(i) the amount of any penalty assessed with respect to the Terminal Operator management fee in accordance with the Lease Agreement;

(j) any amounts or costs incurred by the Borrower arising or resulting from the Borrower's indemnification obligations under Section 14.1 of the O&M Contract;

(k) with respect to any year during the O&M Period, any costs, losses or other amounts incurred or absorbed by the Borrower or otherwise not reimbursed to the Borrower representing liabilities in excess of the "Annual Manager Cap" (as defined in the O&M Contract);

(l) any costs and expenses incurred by the Borrower in the exercise of its remedies under the O&M Contract or otherwise arising from a dispute between the Terminal Operator and the Borrower (in each case, including attorneys' fees); and

(m) any interest or penalties under the O&M Contract due from the Borrower to the Terminal Operator.

**Person** or **Persons** means any natural person, corporation, joint venture, limited liability company, company, voluntary association, partnership, trust, unincorporated organization or Governmental Entity or other type of entity.

**PFC Applications** means the applications submitted to the FAA with respect to PFC Eligible D&C Work in accordance with the Lease Agreement.

**PFC Eligible D&C Work** means major elements of the D&C Work for the Demolition Facilities and the New Facilities that are proposed to result in PFC Eligible Project Costs.

**PFC Eligible Project Costs** means costs identified in the PFC Funding Plan (as agreed between the Port Authority and the Borrower) that are expected to be “Allowable Costs” (as such term is defined in 14 C.F.R. Part 158) in connection with the D&C Work with respect to New Facilities and the Demolition Facilities.

**PFC Funding** means amounts received by the Port Authority from Passenger Facility Charges to be used for the purpose of funding PFC Eligible Project Costs as set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT– Port Authority Funding” and “APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Port Authority Funding” that have been approved by the FAA in connection with a PFC Application.

**PFC Funding Plan** means the plan developed and mutually agreed by the Borrower and the Port Authority.

**PFC Regulations** means all Federal regulations and requirements applicable to Passenger Facility Charges, including 14 C.F.R. Part 158.

**Phased Construction O&M Period** means the period from commencement of operation of any portion of the New Facilities (i.e., from the end of the Initial O&M Period) and continuing until such time as both (a) the New Facilities are in full operation and (b) operation of all portions of the Existing Facilities has permanently ceased (i.e., until the commencement of the O&M Period).

**PNTP Agreement** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Advance Work Under the PNTP Agreement” in the Official Statement.

**PNTP DB Contract** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Advance Work Under the PNTP Agreement” in the Official Statement.

**PNTP Work** means the D&C Work performed pursuant to the PNTP Agreement.

**Port Authority** has the meaning set forth in “SUMMARY STATEMENT – The Port Authority” in the Official Statement.

**Port Authority Continuing Disclosure Agreement** has the meaning set forth in “PART 25 – CONTINUING DISCLOSURE – Port Authority Continuing Disclosure” in the Official Statement.

**Port Authority Funding** means funding provided by the Port Authority, whether PFC Funding or amounts from other sources available to the Port Authority, to be applied to the payment of, as applicable, (a) PFC Eligible Project Costs incurred in connection with the performance of PFC Eligible D&C Work with respect to the improvements identified in the PFC Funding Plan and (b) costs incurred in connection with the performance of D&C Work for the New Improvements and the Central Hall.

**Port Authority Indemnified Party(ies)** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Indemnification – Indemnification by the Borrower.”

**Port Authority Termination Sum** has the meaning set forth in “PART 8 – THE LEASE AGREEMENT – Termination Rights – Grounds for Termination by the Borrower” in the Official Statement.

**Port of New York District** means the area of about 1,500 square miles in the States of New York and New Jersey centering about New York Harbor. The Port of New York District includes the Cities of New York and Yonkers in the State of New York, and the Cities of Newark, Jersey City, Bayonne, Hoboken and Elizabeth in the State of New Jersey, and over 200 other municipalities including all or part of seventeen (17) counties, in the States of New York and New Jersey.

**Post-Substantial Completion Revenue Account** means the “Post-Substantial Completion Revenue Account” established pursuant to the Collateral Agency Agreement.

**Potential Design-Builder Event of Default** means an act or omission that, with the delivery of notice or the passage of time, (i) with respect to the circumstances described in “APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Termination of the Lease Agreement”, is likely to result in a Design-Builder Event of Default, and (ii) with respect to the circumstances described in clause “APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Contract Price” is likely both to result in a Design-Builder Event of Default and to cause the Developer to incur direct losses in excess of two million dollars (\$2,000,000.00), in each case as determined by the Developer in its reasonable discretion.

**Preferred Proposer** has the meaning set forth in “PART 1 – INTRODUCTION” in the Official Statement.

**Premises** means those portions of the Airport Premises consisting of:

- (a) the New Facilities sites;
- (b) the New Facilities and all other structures, improvements, additions, buildings, installations and facilities which may be located, constructed or installed on the New Facilities sites, and the equipment permanently affixed or permanently located therein;
- (c) prior to the Partial Termination Date (if applicable), the Central Hall and the Central Hall site; and
- (d) the Permanent Rights of Access;

provided, however, that during the Initial O&M Period and the Phased Construction O&M Period, in addition to those portions of the Airport Premises set forth above, the “Premises” shall also include those portions of the Airport Premises consisting of the Existing Leased Property.

**Pre-Substantial Completion Revenue Account** means the “Pre-Substantial Completion Revenue Account” established pursuant to the Collateral Agency Agreement.

**Primary Project Relief** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – Equivalent Project Relief” in the Official Statement.

**Principal Office** means, with respect to the Trustee, the address identified in the Indenture or otherwise notified in writing.

**Principal Payment Date** has the meaning set forth in “PART 2 – DESCRIPTION OF THE SERIES 2016A&B BONDS – Payment Dates” in the Official Statement.

**Principal Payment Sub-Accounts** means, collectively, the 2016A Tax-Exempt Bond Principal Payment Sub-Account, the 2016B Taxable Bond Principal Payment Sub-Account, the Subordinate Tax-Exempt Bond Principal Payment Sub-Account, the Subordinate Taxable Bond Principal Payment Sub-Account, and any other sub-account of the Senior Bond Payment Account or Subordinate Bond Payment Account established in respect to of any Series of Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Bonds were issued.

**Principal Payments** means, with respect to a payment date, the principal (including mandatory sinking fund payments and the principal component of the Redemption Price due in connection with any mandatory redemption payment on any Bond) due or to become due prior to the next succeeding Principal Payment Date.

**Prohibited Party** means any Person who is:

(a) debarred, suspended, proposed for debarment with a final determination still pending, declared ineligible or voluntarily excluded (as such terms are defined in any of the Debarment Regulations) from participating in procurement or nonprocurement transactions with the federal government or any department, agency or instrumentality thereof pursuant to any of the Debarment Regulations;

(b) indicted, convicted or had a civil or administrative judgment rendered against such Person for any of the offenses listed in any of the Debarment Regulations and no event has occurred and no condition exists that is likely to result in the debarment or suspension of such Person from contracting with the federal government or any department, agency or instrumentality thereof;

(c) listed on the “Lists of Parties Excluded from Federal Procurement and Nonprocurement Programs” issued by the U.S. General Services Administration;

(d) located within, or doing business or operating from, a country or other territory subject to a general embargo administered by OFAC;

(e) designated on the OFAC list of “Specially Designated Nationals”;

(f) otherwise targeted under economic or financial sanctions administered by the United Nations, OFAC or any other federal economic sanctions authority or any divestment or sanctions program of the State of New York or New Jersey;

(g) a banking institution chartered or licensed in a jurisdiction against which the United States Secretary of the Treasury has imposed special measures under Section 311 of the USA PATRIOT Act;

(h) located within or is operating from a jurisdiction that has been designated as non-cooperative with international anti-money laundering principles by the Financial Action Task Force on Money Laundering;

(i) a financial institution against which the United States Secretary of the Treasury has imposed special measures under Section 311 of the USA PATRIOT Act;

(j) a “senior foreign political figure” or a prohibited “foreign shell bank” within the meaning of 31 C.F.R. § 103.175; or

(k) an entity with whom the Port Authority is engaged in litigation relating to performance of contract or business practices (unless the Port Authority has first waived (in the Port Authority’s sole discretion) by written notice to the transferring equity holder, with a copy to the Borrower, the prohibition on a transfer to such Person during the continuance of the relevant litigation).

**Project** means (i) the operation, maintenance, and demolition of the Existing Terminal B Facilities and certain ancillary facilities at the Airport, (ii) the design, construction, financing, operation and maintenance of the New Facilities and certain ancillary facilities at the Airport, (iii) the design and construction of certain New Improvements at the Airport on behalf of the Port Authority (which New Improvements, when completed, will not be operated or maintained by the Borrower and will not constitute part of the facilities leased to the Borrower under the Lease Agreement); and (iv) the design, construction, operation and maintenance of a new Central Hall, provided that, in certain circumstances, the Port Authority shall have the right to remove the Central Hall from the facilities leased to the Borrower under the Lease Agreement prior to the expiration or termination of the Lease Agreement.

**Project Accounts** means the following accounts established pursuant to the Collateral Agency Agreement: Pre-Substantial Completion Revenue Account, Post-Substantial Completion Revenue Account, Operating Account, Construction Account, Tax-Exempt Bond Proceeds Sub-Account, Taxable Bond Proceeds Sub-Account, Operating Cashflow Sub-Account, Equity Contribution Sub-Account, Bond Payment Accounts, Debt Service Reserve Accounts, Capitalized Interest Accounts, Bond Redemption Sub-Accounts, Working Capital Reserve Account, O&M Reserve Account, Major Maintenance Reserve Account, Insurance and Condemnation Proceeds Account, Distribution Account, Performance Fee Account, Second Additional Rent Account and Airline Discount Account. The Non-Pledged Accounts do not constitute Project Accounts.

**Project Baseline Schedule** means the logic-based critical path schedule for all D&C Work as required by the Requirements and Provisions for Work, as the same is revised and updated in accordance with the Project Documents. For the avoidance of doubt, the Project Baseline Schedule will include the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and the scheduled Final Acceptance Date.

**Project Costs, with respect to the Lease Agreement**, means the costs and expenses actually incurred by or on behalf of the Borrower directly in connection with the D&C Work and any upgrades thereto, together with reasonable and documented professional and advisory fees and Borrower overhead and administrative expenses, and, with respect to the Financing Documents, means all costs and expenses incurred in connection with the design, construction, commissioning and financing of the Project that are the obligation of the Borrower, including, without limitation, (i) the contract price of the D&C Contract, (ii) amounts payable under all construction, engineering, technical and other contracts entered into by the Borrower in connection with performing Borrower’s obligations under the Lease Agreement and in



accordance with the Financing Documents, (iii) all operating, maintenance and capital expenditures, including any routine maintenance expenditures and Major Maintenance incurred prior to Substantial Completion of the Project, (iv) financing costs, including costs of issuance, interest during construction, initial working capital costs, and funding of reserves including the Debt Service Reserve Accounts and the Major Maintenance Reserve Account, (v) development costs, developer fees (including fees incurred by the Equity Members in connection with the issuance of the Equity Contribution Letters of Credit), and any taxes, assessments or governmental charges payable by the Equity Members or the Borrower in connection with the Project.

**Project Documents** means the Lease Agreement, with all the exhibits and forms (including the Requirements and Provisions for Work and the Borrower's proposal commitments incorporated into the Lease Agreement), any amendments to or replacement of the foregoing undertaken in accordance with the terms hereof or thereof and any other document that the Port Authority and the Borrower may deem to be a "**Project Document**" from time to time after the date hereof, provided that the Borrower shall not agree to deem any document a "Project Document" without the prior agreement of the Design-Builder if the addition of such document as a "Project Document" would affect the DB D&C Work. The Available Documents do not constitute Project Documents.

**Project Executive** means the individual designated by the Borrower and approved in writing by the Port Authority in the position to take ultimate responsibility for the Work.

**Project Loan Agreement** has the meaning set forth in "SUMMARY STATEMENT – Purpose of Issue" in the Official Statement.

**Project Revenues** means, for any period (without duplication), all revenue received by or on behalf of the Borrower during such period, including but not limited to revenues received by the Borrower from the operation of the Project, interest earned on and paid to the Borrower in respect of any Project Accounts, proceeds from any business interruption insurance, revenue derived from any third-party concession, lease or contract, liquidated damages paid under the D&C Contract and any other receipts otherwise arising or derived from or paid or payable in respect of the Project, but excluding (i) proceeds of borrowings by the Borrower, (ii) equity contributions to the Borrower, (iii) proceeds of condemnation proceedings and asset sales to the extent that such proceeds are not reinvested in replacement property, (iv) insurance payments other than proceeds from business interruption insurance, and (v) the Non-Pledged Receipts.

**Proposal Due Date** means May 20, 2014.

**Qualified Disposal Locations** means, with respect to any waste material containing Hazardous Materials and shipped off the Premises or the areas subject to the Temporary Rights of Access for disposal, a disposal location that is (a) regulated by a state or Federal agency and subject to licensing or permit requirements and regulatory oversight, and is authorized to receive the specific wastes that are transported to it, (b) not subject to material notices of violation of Environmental Laws or pending litigation concerning Environmental Liabilities, and (c) not listed on the "National Priorities List" established pursuant to CERCLA.

**Qualified Terminal Operator or QTO** shall mean a Person who is not a Prohibited Party and who has been determined by the Port Authority, acting at its sole discretion, to be a qualified terminal operator. In determining whether to issue such determination, the Port Authority shall only consider whether such Person has: (x) sufficient experience or personnel, or access to sufficient experience or personnel of an Affiliate under common control with it, with sufficient experience in operating and

maintaining airline passenger terminals on a basis consistent with the standards and requirements set forth in the Lease Agreement, (y) a reputation for honesty, integrity and reliability and (z) the financial capability to operate and maintain the Terminal B Facilities on a basis consistent with the standards set forth in the Lease Agreement, with such Person being deemed to have such requisite financial capability if such Person has or is projected to have sufficient capital (or access to capital), whether by virtue of cash on hand, sponsor support commitments, projected revenues, any combination thereof, or otherwise, to meet all of such Person's operations and maintenance expenses and, with respect to the Borrower, obligations to make rental and other payments to the Port Authority in respect of the Premises for the one (1) year period following the date on which such Person would become a Qualified Terminal Operator; provided, that at the election of the Recognized Mortgagee with respect to any Person selected to be a successor or assignee of the Borrower by such Recognized Mortgagee as permitted by the Lease Agreement, the ability to pay Second Additional Rent shall not be taken into account for purposes of this clause (z). As of the effective date of the Lease Agreement, each of the Vantage Management Entity and the Vantage Member Entity is a QTO.

**Qualifying Applicable Law** has the meaning set forth in the definition of "Change in Law."

**Qualifying Safety Compliance** means any and all improvements, repair, reconstruction, rehabilitation, restoration, renewal, replacement and changes in configuration or procedures with respect to the Construction Project or the Premises to correct a specific safety condition of the Construction Project or the Premises that the Port Authority has reasonably determined (by investigation or analysis) to exist despite the Borrower's compliance with the Safety Standards.

**Qualifying Safety Compliance Order** means a written order or directive issued by the Port Authority to the Borrower pursuant to the Lease Agreement to implement Qualifying Safety Compliance.

**Rating Agencies** means Moody's, S&P and Fitch if then providing a rating on a Series of Bonds.

**Rating Category** means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

**Rating Confirmation** means written evidence from each Rating Agency then rating a Series of Bonds that no rating assigned to such Series of Bonds or any portion thereof by such Rating Agency, if any, will be withdrawn or reduced below the rating on such Series of Bonds as a result of the action under review.

**Reasonable DB Claim** means a claim for Equivalent Project Relief provided by the Design-Builder in accordance with the Contract Documents, which claim is submitted to the Borrower within a reasonable period and sets forth a reasonable basis for such claim.

**Reasonable Efforts** means all those steps in the power of the relevant party that are capable of producing the desired result, and which a prudent, determined and reasonable person desiring to achieve that result would take; provided, that subject to its other express obligations under the Lease Agreement or the Design-Build Contract, as applicable, the relevant party shall not be required to expend funds except for those necessary to meet the reasonable costs reasonably incidental or ancillary to the steps to be taken by the relevant party (including its reasonable travel expenses, correspondence costs and general overhead expenses).

**Rebate Account** or Series 2016 Rebate Account means the Rebate Account established pursuant to the Indenture.

**Rebate Amount** means the amount required to be rebated to the United States pursuant to Section 148(f)(2) of the Code or successor provisions applicable to the Bonds.

**Recognized Mortgagee** means any Person that (i) holds a Leasehold Mortgage that complies with the terms and conditions set forth in the Lease Agreement and (ii) is an Institutional Lender, which Person shall be entitled to the benefits and protections provided pursuant to the Lease Agreement. The Collateral Agent is a Recognized Mortgagee.

**Record Date** has the meaning set forth in “PART 2 – DESCRIPTION OF THE SERIES 2016A&B BONDS – Payment of Interest” in the Official Statement.

**Record Documents** has the meaning as set forth in the TCAP.

**Redemption Date** means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

**Redemption Price** means (a) the principal, interest and any premium, if any, due on a Bond on the date on which it is redeemed prior to maturity pursuant to the redemption provisions as provided in the Indenture, and (b) the Make-Whole Redemption Price for the Bonds redeemed prior to maturity pursuant to the redemption provisions as provided in the Indenture. Such term does not include the principal and interest due on any Term Bonds as provided in the Indenture on the dates such Term Bonds are to be redeemed in accordance with a mandatory redemption schedule set forth in the Indenture.

**Refinancing** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Refinancing; Restrictions on Additional Indebtedness.”

**Released For Construction Documents** means all drawings, specifications, revisions thereto and any other items necessary to construct the Construction Project, signed and sealed, and, to the extent required by the Lease Agreement, the Design-Build Contract, the other Contract Documents or the D&C schedule of submittals, have received Port Authority approval.

**Remedial Action** means any response action pursuant to the Environmental Requirements to investigate, contain, remove, remediate or abate a Hazardous Environmental Condition, including the transport, processing, storage, handling and disposal of any Hazardous Materials, together with any reporting, record keeping and restoration associated with such activities; provided, however, that “Remedial Action” shall not include actions by Developer or the Design-Builder to satisfy the requirements of the Lease Agreement or the Design-Build Contract with respect to Excavated Material, Demolition Debris or Hazardous Materials in the Current Facilities that are removed, handled, generated and disposed of in performing Construction Work or the generation, handling, treatment or disposal of Hazardous Materials in connection with Operations and Maintenance Work.

**Remedial Plan** means any remedial plan developed by the Borrower pursuant to the Lease Agreement with respect to an Event of Default thereunder or any remedial plan developed by the Design-Builder with respect to a corresponding Design-Builder Event of Default under the Design-Build Contract.

**Requirements and Provisions for Work** means the Requirements and Provisions for Work for the Terminal B Facilities, the Requirements and Provisions for Work for the Central Hall and the Requirements and Provisions for Work for the New Improvements.

**Reserved Rights** means the rights of the Issuer to (a) execute and deliver supplements and amendments to the Indenture and the Loan Agreements, pursuant to the Indenture, (b) be held harmless and indemnified pursuant to the Loan Agreements, (c) receive any funds for its own use, whether as administration fees pursuant to the Loan Agreements or indemnification pursuant to the Loan Agreements, (d) receive notices and other documents as required under the Loan Agreements to be delivered to the Issuer, (e) provide any consent, acceptance or approval with respect to matters as provided in the Loan Agreements, and (f) receive payments under, and enforce pursuant to the Loan Agreements.

**Restricted Payment Conditions** has the meaning set forth in “PART 3 – SECURITY FOR THE SERIES 2016 BONDS – The Collateral Agency Agreement – Restricted Distributions” in the Official Statement.

**RFP** has the meaning set forth in “PART 1 – INTRODUCTION” in the Official Statement.

**Rules and Regulations** means the rules, regulations, policies, manuals and publications, standards, practices or guidelines issued or published by the Port Authority, with which the Borrower and the Design-Builder (but only to the extent related to the DB D&C Work or otherwise applicable to the Design-Builder) are required to comply (including any of the foregoing resulting from any directive or requirement by the FAA, the TSA or any other Governmental Entity), that are referenced within the Lease Agreement, the Design-Build Contract and the Requirements and Provisions for Work, including those described in Part C of the Requirements and Provisions for Work, in each case, as may be amended, revised, supplemented or otherwise modified from time to time.

**S&P** means Standard & Poor’s Ratings Services, a division of McGraw-Hill, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency.

**Safety Compliance Order** means Qualifying Safety Compliance Orders and Non-Qualifying Safety Compliance Orders.

**Safety Standards** means those standards referenced in the General Conditions and the other provisions of the Requirements and Provisions for Work that the Port Authority considers to be important measures to protect public safety or worker safety. As a matter of clarification, provisions of the Requirements and Provisions for Work primarily directed at durability of materials or equipment, where the durability is primarily a matter of life cycle cost rather than protecting public or worker safety, are not Safety Standards.

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

Aircraft Operator within the meaning of the Design-Build Contract unless it also holds such a permit or certificate.

**Second Additional Rent** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Permitted O&M Expenses; Rental Payments by the Borrower – Second Additional Rent.”

**Second Additional Rent Account** means the “Second Additional Rent Account” established and created in the name of the Borrower pursuant the Collateral Agency Agreement.

**Secured Creditors** means, collectively, (i) the Trustee, and (ii) any holder of Secured Obligations.

**Secured Obligations** means all obligations of the Borrower now existing or hereafter arising under the Loan Agreements, and the other Financing Documents, relating to the issuance of the Series 2016 Bonds or Additional Bonds, as applicable.

**Secured Parties** means the Collateral Agent, with respect to amounts owed to it by the Borrower under the Collateral Agency Agreement, the Trustee, for the benefit of the holders of the Bonds from time to time and with respect to amounts payable to it as fees and expenses pursuant to the Indenture, and the Issuer, with respect to amounts payable to it pursuant to the Reserved Rights.

**Securities Accounts** means the Project Accounts other than the Operating Account.

**Securities Act** means the federal Securities Act of 1933, as amended.

**Securities Intermediary** means the party designated the securities intermediary pursuant to the Collateral Agency Agreement.

**Security Documents** means, collectively, any agreement, document or instrument entered into or delivered by the Borrower that creates a security interest in favor of the Collateral Agent for the benefit of the Secured Parties as of the Issuance Date.

**Security Interest** means: (a) a mortgage, pledge, lien charge, assignment, hypothecation, security interest, title retention arrangement, preferential right, trust arrangement or other arrangement having the same or equivalent commercial effect as a grant of security; or (b) any agreement to create or give any arrangement referred to in clause (a) of this definition.

**Senior Bond Payment Account** means the “Senior Bond Payment Account” established pursuant to the Collateral Agency Agreement.

**Senior Bond Redemption Sub-Account** means the “Senior Bond Redemption Sub-Account” established pursuant to the Collateral Agency Agreement.

**Senior Bonds** means the Series 2016 Bonds and any additional Bonds issued in compliance with the Indenture on parity with the Series 2016 Bonds, and that by the terms thereof are specifically superior with respect to payment of principal and interest thereon to Subordinate Bonds issued in the future.

**Senior Debt Service Coverage Ratio** or “**Senior DSCR**” means, for DSCR Calculation Period, the ratio of A divided by B where:

A = the Free Cash Flow for such period; and

B = all mandatory payments during such period of principal (including mandatory sinking fund payments), interest, redemption price and premium with respect to the Series 2016 Bonds and any other Senior Bonds, if any.

**Senior Debt Service Reserve Account** means the “Senior Debt Service Reserve Account” established pursuant to the Collateral Agency Agreement.

**Senior Debt Service Reserve Sub-Accounts** means, collectively, the 2016A Tax-Exempt Bond Debt Service Reserve Sub-Account, the 2016B Taxable Debt Service Reserve Account, and any other sub-account of the Senior Debt Service Reserve established in respect to of any Series of Senior Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Senior Bonds were issued.

**Series** or **Series of Bonds** has the meaning set forth in “PART 1 – INTRODUCTION” in the Official Statement.

**Series 2016 Bonds** has the meaning set forth in “SUMMARY STATEMENT – Authorization for the Series 2016 Bonds” in the Official Statement.

**Series 2016 Bond Payment Account** means the Series 2016 Senior Bond Payment Account created pursuant to the Indenture, including the Series 2016A Senior Bond Interest Payment Sub-Account, the Series 2016A Senior Bond Principal Payment Sub-Account, the Series 2016B Senior Bond Interest Payment Sub-Account, the Series 2016B Senior Bond Principal Payment Sub-Account, the Series 2016A Senior Bond Redemption Payment Sub-Account, and the Series 2016B Senior Bond Redemption Payment Sub-Account.

**Series 2016A Bonds** has the meaning set forth in “SUMMARY STATEMENT – Authorization for the Series 2016 Bonds” in the Official Statement.

**Series 2016A Senior Bond Interest Payment Sub-Account** means the “Series 2016A Senior Bond Interest Payment Sub-Account” established pursuant the Indenture.

**Series 2016A Senior Bond Principal Payment Sub-Account** means the “Series 2016A Senior Bond Principal Payment Sub-Account” established pursuant to the Indenture.

**Series 2016A Senior Bond Redemption Payment Sub-Account** means the “Series 2016A Senior Bond Redemption Payment Sub-Account” established pursuant to the Indenture.

**Series 2016B Bonds** has the meaning set forth in “SUMMARY STATEMENT – Authorization for the Series 2016 Bonds” in the Official Statement.

**Series 2016B Senior Bond Interest Payment Sub-Account** means the “Series 2016B Senior Bond Interest Payment Sub-Account” established pursuant to the Indenture.

**Series 2016B Senior Bond Principal Payment Sub-Account** means the “Series 2016B Senior Bond Principal Payment Sub-Account” established pursuant to the Indenture.

**Series 2016B Senior Bond Redemption Payment Sub-Account** means the “Series 2016B Senior Bond Redemption Payment Sub-Account” established pursuant to the Indenture.

**Series 2016 Notes** has the meaning set forth in “SUMMARY STATEMENT – Purpose of Issue” in the Official Statement.

**Shortfall Contribution Notice** means a request for equity contribution to be delivered by the Collateral Agent to the Equity Members in the form attached to the Collateral Agency Agreement.

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

**Skanska Member** has the meaning set forth in “SUMMARY STATEMENT – The Borrower” in the Official Statement

**Special Record Date** means a special date fixed by the Trustee to determine the names and addresses of Holders of the Bonds for purposes of paying interest on a special interest payment date for the payment of Defaulted Interest.

**State** means the State of New York.

**Statement of Estimated Liabilities** means a statement by the Port Authority setting forth (i) all amounts that (A) are estimated to be due and payable by the Borrower to the Port Authority under the Lease Agreement as of the date of such statement or (B) to the best of the Port Authority’s knowledge, are expected to become due and payable by the Borrower under the Lease Agreement on or prior to the date that is thirty (30) days after the date of such statement, (ii) to the extent not included in clause (i) above, all other obligations of the Borrower under the Lease Agreement known to the Port Authority that should have been, but have not been, performed as of the date of such statement and (iii) to the extent not included in clauses (i) or (ii) above, all costs and expenses (including legal fees), taxes, fees, charges and disbursements estimated to be paid or incurred by the Port Authority in connection with any applicable Event of Default, the termination of the Lease Agreement, the recovery of possession from the Borrower, and the preparation, execution and delivery of the New Agreement and related agreements, in each case, to the extent applicable.

**Subcontracting Restrictions** means the restrictions on the Borrower’s ability to subcontract as set forth in the Design-Build Contract.

**Subordinate Bonds** means any additional Bonds issued in compliance with the Indenture that by the terms thereof are specifically subordinate and junior to the Senior Bonds, including the Series 2016 Bonds, with respect to payment of principal and interest thereon.

**Subordinate Bond Payment Account** means the “Subordinate Bond Payment Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Bond Redemption Sub-Account** means the “Subordinate Bond Redemption Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Completion Bonds** means any Subordinate Bonds in which the net proceeds shall be used to finance Project Costs associated with the completion of the D&C Work after the issuance of the Series 2016 Bonds.

**Subordinate Debt Service Reserve Account** means the “Subordinate Debt Service Reserve Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Debt Service Reserve Sub-Accounts** means, collectively, the Subordinate Tax-Exempt Bond Debt Service Reserve Sub-Account, the Subordinate Taxable Debt Service Reserve Account, and any other sub-account of the Subordinate Debt Service Reserve established in respect to of any Series of Subordinate Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds were issued.

**Subordinate Taxable Bond Debt Service Reserve Sub-Account** means the “Subordinate Taxable Bond Debt Service Reserve Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Taxable Bond Interest Payment Sub-Account** means the “Subordinate Taxable Bond Interest Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Taxable Bond Principal Payment Sub-Account** means the “Subordinate Taxable Bond Principal Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Taxable Bond Redemption Sub-Account** means the “Subordinate Taxable Bond Redemption Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Tax-Exempt Bond Debt Service Reserve Sub-Account** means the “Subordinate Tax-Exempt Bond Debt Service Reserve Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Tax-Exempt Bond Interest Payment Sub-Account** means the “Subordinate Tax-Exempt Bond Interest Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Tax-Exempt Bond Principal Payment Sub-Account** means the “Subordinate Tax-Exempt Bond Principal Payment Sub-Account” established pursuant to the Collateral Agency Agreement.

**Subordinate Tax-Exempt Bond Redemption Sub-Account** means the “Subordinate Tax-Exempt Bond Redemption Sub-Account” established pursuant to the Collateral Agency Agreement.

**Substantial Completion** means the occurrence of all events and satisfaction of all conditions set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Substantial Completion” with respect to the entire Construction Project other than the Central Hall, as evidenced by the issuance of a Certificate of Substantial Completion by the Port Authority to the Borrower.

**Substantial Completion Date** means the date upon which the Borrower achieves Substantial Completion.

**Successor Recognized Mortgagee** means a successor to a Recognized Mortgagee selected and appointed in accordance with the Leasehold Mortgage; provided, that such successor is an Institutional Lender and not a Prohibited Party.



**Supplemental Indenture** means any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with the Indenture.

**Supporting Projects** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Related LaGuardia Airport Terminal Projects” in the Official Statement.

**Tax Certificate** means with respect to any issuance of Bonds under the Indenture, (a) one or more certificates or agreements that sets forth the Issuer’s or the Borrower’s expectations regarding the investment and use of proceeds of any Series of the Bonds and other matters relating to Bond Counsel’s opinion regarding the federal and State income tax treatment of interest on such Bonds, including any instructions delivered by Bond Counsel in connection with any such certificate or agreement and any appendices, schedules and exhibits thereto; and (b) any amendment or modification of any such certificate or agreement that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on such bonds from gross income for federal and State income tax purposes

**Tax Covenant** means the covenants of the Borrower pursuant to of the Loan Agreements.

**Taxable Bond Proceeds Sub-Account** means the “Taxable Bond Proceeds Sub-Account” established pursuant to the Collateral Agency Agreement.

**Taxable Bonds** means Bonds issued pursuant hereto interest on which is not exempt for federal income tax purposes.

**Taxes** means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

**Tax-Exempt Bond Interest Payment Sub-Account** means any “Tax-Exempt Bond Interest Payment Sub-Account” that may be established and created in the name of the Borrower pursuant to the Collateral Agency Agreement for a Series of Bonds.

**Tax-Exempt Bond Proceeds Sub-Account** means the “Tax-Exempt Bond Proceeds Sub-Account” established with respect to the Tax-Exempt Bonds and created in the name of the Borrower pursuant to the Collateral Agency Agreement.

**Tax-Exempt Bonds** means any obligations the interest on which is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, except for any period that any such obligations shall be held by a “substantial user” or “related person” of facilities provided from the proceeds of such obligations, within the meaning of Section 147(a) of the Code, to the extent that the proceeds of such obligations are allocated to facilities leased by the Borrower under the Lease Agreement. For the avoidance of doubt, the term “Tax-Exempt Bonds” may include any such bonds issued by the Port Authority, to the extent the proceeds of such bonds have been used (i) to finance construction of improvements in the Existing Leased Property or (ii) as a source of funds for the Port Authority Funding of the PFC Eligible Project Costs incurred in connection with the performance of the PFC Eligible D&C Work with respect to the New Facilities and the Demolition Facilities.

**TCAO** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Design and Construction of the Construction Project – Partial Completion.”

**TCAP** means The Port Authority of New York and New Jersey’s Tenant Construction and Alteration Process Manual (July 2013), and any subsequent edition or replacement thereof.

**Technical Advisor** means BTY Group, or such other nationally-recognized independent engineering firm performing similar services (i) selected by the Borrower and (ii) that has acknowledged that it is acting on behalf of the Collateral Agent.

**Temporary Rights of Access** means those certain rights of way and other agreements for access and use of those portions of the Airport Premises for ingress and egress, on foot and in vehicles, storage of materials, staging of construction, support, drainage, temporary Utilities and other purposes necessary for the performance by the Borrower of the Construction Work during the Construction Period and consistent with the purposes of the Lease Agreement including: (i) the right of access to the New Improvements until such New Improvements are completed and turned over to the Port Authority; and (ii) the right of access to the land on which the Demolition Facilities are located for purposes of demolishing and removing the Demolition Facilities from the Airport Premises. Temporary Rights of Access also include any other temporary rights or easements which may be granted by the Port Authority to the Borrower from time to time during the term of the Lease Agreement.

**Term Bonds** means any Bonds the retirement of which shall be provided for from scheduled periodic redemptions prior to maturity.

**Term** means the term of the Lease Agreement.

**Terminal B Facilities** has the meaning set forth in “SUMMARY STATEMENT – The Lease Agreement” in the Official Statement.

**Terminal C** means the existing terminal known as “Terminal C” at the Airport.

**Terminal D** means the existing terminal known as “Terminal D” at the Airport.

**Terminal Operator** means any counterparty to an O&M Contract.

**Terminal Operator Change in Control** means, whether accomplished through a single transaction or a series of related or unrelated transactions: (a) any transfer of 50% or more of the voting or economic interests in the Terminal Operator or the Terminal Operator Member, by its equity members or shareholders, as applicable, owning equity interests in the Terminal Operator or the Terminal Operator Member as of the effective date of the Lease Agreement or (b) any assignment, sale, financing, grant of security interest, hypothecation, conveyance, transfer of interest or transaction of any type or description, including by or through voting securities, asset transfer, contract, merger, acquisition, succession, dissolution, liquidation, bankruptcy or otherwise, that results, directly or indirectly, in a change of possession of the power to direct or control or cause the direction or control of the management of the Terminal Operator or the Terminal Operator Member or a material aspect of the business of the Terminal Operator or the Terminal Operator Member, or (c) the merger, consolidation, amalgamation, business combination or sale of substantially all of the assets of the Terminal Operator or the Terminal Operator Member, or (d) any transfer resulting in the Vantage Member ceasing to be under common control With Vantage while the Vantage Member is the Terminal Operator Member. A change in the power to direct or control or cause the direction or control of the management of an equity member or shareholder, as applicable, of the Terminal Operator or the Terminal Operator Member may constitute a Terminal Operator Change in Control if such equity member or shareholder, as applicable, of the Terminal Operator or the Terminal Operator Member possesses, immediately prior to such Terminal Operator

Change in Control, the power to direct or control or cause the direction or control of the management of the Terminal Operator or the Terminal Operator Member. Notwithstanding anything to the contrary set forth in this definition, the following shall not constitute a Terminal Operator Change in Control:

(A) transfers of securities evidencing ownership or any other ownership interests pursuant to bona fide open market transactions on a recognized stock exchange (including initial or “follow on” public offerings); provided, that no Person or group of Persons acting in concert (that is not the Terminal Operator or the Terminal Operator Member an equity member or shareholder in the Terminal Operator or the Terminal Operator Member or its direct or indirect beneficial owner(s) prior to such assignment) acquires securities such that such Person or group of Persons beneficially owns more than 50% of the publicly traded securities of the Terminal Operator or the Terminal Operator Member;

(B) transfers of equity interests between or among Persons that are under common control;

(C) transfers of any indirect equity interests in the Equity Members by any Governmental Entity;

(D) transfers of any indirect equity interests in the Terminal Operator by any Governmental Entity; and

(E) any upstream reorganization or transfer of direct or indirect interests in an equity member or shareholder, as applicable, of the Terminal Operator or the Terminal Operator Member; provided, that there occurs no change in the entity with ultimate power to direct or control or cause the direction or control of the management of such equity member or shareholder, as applicable, whether directly or indirectly and whether through share ownership, a trust, a contract, or otherwise.

**Terminal Operator Member** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Restrictions on Assignments and Terminal Operator Change in Control – Restrictions on Terminal Operator Change in Control.”

**Terminal Operator Minimum Share** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Restrictions on Assignments and Terminal Operator Change in Control – Restrictions on Terminal Operator Change in Control.”

**Termination Date** means (a) with respect to the Financing Documents, the date when all obligations to be paid or performed by the Borrower, as applicable, thereunder have been indefeasibly paid and performed in full; or (b) with respect to the Lease Agreement, the date of expiration of the Term or if applicable, any early termination thereof.

**Transfer Date** means the first Business Day of each month.

**Treasury Rate** means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release as H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (excluding inflation indexed securities) (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to the Maturity Date of the Series 2016 Bonds to be redeemed; provided, however, that if the period from the Redemption Date to such Maturity Date is less than one

year, the weekly average yield on actually traded United States Treasury securities to a constant maturity of one year will be used.

**Treasury Regulations** means the temporary, proposed or final federal income tax regulations promulgated by the U.S. Department of the Treasury, together with the other published written guidance thereof as applicable to the Bonds under the Code.

**Trust Estate** has the meaning set forth in “APPENDIX D-1 – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

**Trustee** means The Bank of New York Mellon, a banking corporation duly organized and existing under the laws of the State of New York, as Trustee under the Indenture, and any successor as pursuant to the terms of the Indenture.

**Trustee Representative** means any officer of the Trustee assigned to the corporate trust department or any other officer of the Trustee customarily performing functions similar to those performed by any such officer, with respect to matters related to the administration of the Indenture.

**TSA** means the Transportation Security Administration created under the Aviation and Transportation Security Act, 49 U.S.C. § 40101 *et seq.*, or any successor agency thereto.

**Unamortized Costs Termination Sum** has the meaning set forth in “PART 8 – THE LEASE AGREEMENT – Termination Rights – Grounds for Termination by the Borrower” in the Official Statement.

**Underwriters** has the meaning set forth in “PART 20 – UNDERWRITING” in the Official Statement.

**Uniform Commercial Code** or **UCC** means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, any collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for the purposes of the provisions hereof relating to such perfection, priority or remedies.

**Unknown Archaeological Remains** means any archaeological remains that were neither (a) known to the Borrower nor (b) could reasonably have been identified by an appropriately qualified and experienced contractor or engineer exercising due care and skill and best management practice in the same or equivalent circumstances through review and analysis of the Available Documents or publicly available information.

**Unknown Endangered Species** means any endangered species discovered on the Premises: (a) the continual or habitual presence of which was not identified or described in the Available Documents or publicly available information, or (b) which could not reasonably be expected to be found continually or habitually on the Premises or the areas subject to the Temporary Rights of Access based on a review and analysis of the Available Documents or publicly available information.

**Unknown Geotechnical Conditions** means any actual geotechnical, subsurface or latent physical conditions that were neither (a) known to the Borrower nor (b) could reasonably have been identified by

an appropriately qualified and experienced contractor or engineer exercising due care and skill and best management practice in the same or equivalent circumstances through review and analysis of the Available Documents or publicly available information.

**Unpaid Project Costs** means any Project Costs remaining incurred or scheduled but unpaid, unpaid on the End of Funding Date.

**Unused Contingency Amount** means the sum of all cash, cash equivalents and liquid investments held by or on behalf of the Borrower as of the End of Funding Date in the Post-Substantial Completion Revenue Account, following the transfers into that account on the End of Funding Date contemplated by the Collateral Agency Agreement from: (i) the Construction Account and the sub-accounts thereof, subject to the restrictions provided in the Lease Agreement, (ii) the Working Capital Reserve Account, and (iii) the Pre-Substantial Completion Revenue Account; provided, that, prior to the transfer of any funds from the Pre-Substantial Completion Revenue Account to the Post-Substantial Completion Revenue Account on the End of Funding Date, the Lessee shall have certified to the Port Authority the amount of funds that had been transferred from the Pre-Substantial Completion Revenue Account to the Operating Cashflow Sub-Account of the Construction Account between the Lease Commencement Date and the End of Funding Date (the “Pre-Substantial Completion Project Costs Amount”), and the amount to be transferred from the Pre-Substantial Completion Revenue Account to the Post-Substantial Completion Revenue Account on the End of Funding Date shall be reduced by the amount if any, by which (A) the Pre-Substantial Completion Project Costs Amount is less than (B) \$29,455,968.75 (the excess of B over A being the “Withheld Revenue Amount”).

**Unused Contingency PA-Eligible Amount** means the sum of all cash, cash equivalents and liquid investments that constitutes the Unused Contingency Amount and that is not derived from proceeds of equity or bonds comprising Borrower Debt.

**Utility** means a privately, publicly, or cooperatively owned line, facility, or system (including conduits and concrete structures in which utility lines are contained) for transmitting or distributing communications, power, electricity, light, heat, gas, oil, crude products, water, steam, waste, storm water not connected with the highway drainage, or other similar commodities, including wireless telecommunications, television transmission signals and publicly owned fire and police signal systems, which directly or indirectly serve the public. The necessary appurtenances to each Utility facility shall be considered part of such Utility.

**Vantage** has the meaning set forth in “SUMMARY STATEMENT – Operation and Management of the Project” in the Official Statement.

**Vantage AG** has the meaning set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Restrictions on Assignments and Terminal Operator Change in Control – Restrictions on Terminal Operator Change in Control.”

**Vantage Member** has the meaning set forth in “SUMMARY STATEMENT – The Borrower” in the Official Statement.

**Warranty** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – Equivalent Project Relief” in the Official Statement.

**Warranty Period** has the meaning set forth in “PART 10 – THE DESIGN-BUILD CONTRACT – Equivalent Project Relief” in the Official Statement.

**WBE** has the meaning set forth in “APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT – Equal Opportunity - Employment Matters.”

**West Garage** has the meaning set forth in “PART 7 – THE CONSTRUCTION PROJECT – Design and Construction Obligations – Elements of the Construction Project” in the Official Statement.

**Withheld Revenue Amount** has the meaning set forth in the definition of Unused Contingency Amount.

**Work** means the D&C Work and the Operations and Maintenance Work. For the avoidance of doubt, all work and services required to be furnished, performed and provided by the Borrower under the Project Documents shall constitute either D&C Work or Operations and Maintenance Work.

**Working Capital Reserve Account** means the “Working Capital Reserve Account” established pursuant to the Collateral Agency Agreement.

**Working Capital Reserve Amount** means \$18,000,000.

**Yield** means, with respect to an issue of Tax-Exempt Bonds, the discount rate that, when used in computing the present worth of all payments of principal and interest to be paid on the issue, computed on the basis of a 360-day year and semi-annual compounding, produces an amount equal to the “issue price” of the issue of Tax-Exempt Bonds, less the fees for any “qualified guarantees” as defined in Treasury Regulations § 1.148-4(f). Yield is computed on an issue by treating any fixed yield bond as redeemed at its stated redemption price on the optional redemption date that would produce the lowest Yield on the issue if that fixed yield bond either (i) is subject to optional redemption within five years of its issue date, or (ii) bears interest at increasing interest rates (i.e., is a stepped coupon bond), or (iii) has an issue price that exceeds its stated redemption price at maturity by more than one-fourth of one percent (.25%) multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date for that bond. Yield is further computed on an issue by treating any bonds of the issue that are subject to mandatory early redemption as redeemed on their mandatory early redemption dates at their present value, rather than at their stated principal amount, if their stated principal amount exceeds their initial offering price by more than one-fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of years to their weighted average maturity date.

**Appendix B-1**

**REPORT OF THE AIRPORT CONSULTANT**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**





# Report of the Airport Consultant

LaGuardia Gateway Partners LLC

LaGuardia Airport Terminal B Development Project  
New York Transportation Development Corporation Special Facilities Bonds,  
Series 2016A  
New York Transportation Development Corporation Special Facilities Bonds,  
Series 2016B

PREPARED BY:

**RICONDO & ASSOCIATES, INC.**

20 North Clark Street, Suite 1500

Chicago, Illinois 60602

(312) 606-0611 (phone)

(312) 606-0706 (facsimile)



**April 26, 2016**

Ricondo & Associates, Inc. (R&A) prepared this document for the stated purposes as expressly set forth herein and for the sole use of LaGuardia Gateway Partners LLC, and its intended recipients. The techniques and methodologies used in preparing this document are consistent with industry practices at the time of preparation. Ricondo & Associates, Inc. is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934 and does not provide financial advisory services within the meaning of such Act.

THIS PAGE INTENTIONALLY LEFT BLANK



April 26, 2016

Mr. Stewart Steeves, CEO  
LaGuardia Gateway Partners LLC  
c/o Meridiam  
605 3<sup>rd</sup> Avenue, Floor 28  
New York, NY 10158

RE: NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION SPECIAL FACILITIES BONDS,  
SERIES 2016 (LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)

Dear Mr. Steeves:

Ricondo & Associates, Inc. (R&A) is pleased to present this Report of the Independent Airport Consultant (the Report) for inclusion as Appendix B-1 to the Official Statement for the New York Transportation Development Corporation Special Facilities Bonds, Series 2016A (Tax-Exempt) (LaGuardia Airport Terminal B Development Project) (the Series 2016A Bonds), and the New York Transportation Development Corporation Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Development Project) (the Series 2016B Bonds), collectively the Series 2016 Bonds, as defined herein and described in the Report. The Series 2016 Bonds will be issued pursuant to the Indenture of Trust (Indenture) between the New York Transportation Development Corporation, a local development corporation formed under Section 1411 of the New York Not-for-Profit Corporation Law, and the Trustee.

In addition to issuing the Series 2016A Bonds and Series 2016B Bonds, the Issuer may contemporaneously issue a separate series of bonds designated as Series 2016C Bonds (the Privately Placed Bonds), in an amount not to exceed \$500 million. The Privately Placed Bonds, if issued, will be Senior Bonds secured on a parity with the Series 2016A Bonds and the Series 2016B Bonds (including a requirement to fund a Debt Service Reserve Subaccount for the Privately Placed Bonds on the same terms and conditions as apply to the Series 2016A Bonds and Series 2016B Bonds). If Privately Placed Bonds are issued, the aggregate amount of proceeds of all Series of Bonds is expected to remain substantially unchanged. Therefore, for purposes of this Report and the financial analysis included herein, the Series 2016A Bonds and Series 2016B Bonds are assumed to provide the full amount of the bond proceeds.

The proceeds of the Series 2016 Bonds will be loaned to LaGuardia Gateway Partners LLC (LGP) pursuant to the Senior Loan Agreement between LGP and the New York Transportation Development Corporation to fund certain projects at LaGuardia Airport (LGA or the Airport). LGP is a limited liability company, consisting of Vantage Airport Group (New York) Ltd. and special purpose subsidiaries established by each of Skanska Infrastructure Development Inc. and Meridiam Infrastructure North America Fund II. Upon



Mr. Stewart Steeves, CEO  
Laguardia Gateway Partners LLC  
April 26, 2016  
Page 2

execution of the Lease Agreement with LGP and the Port Authority of New York and New Jersey (the Port Authority) defined here in, LGP will be responsible for:

- (i) The operation, maintenance, and demolition of the Existing Terminal B at the Airport,
- (ii) the design, construction, financing, operation and maintenance of the New Terminal B and certain ancillary facilities at the Airport,
- (iii) the design and construction of certain improvements at the Airport (the "New Improvements"), which will not be operated or maintained by LGP and will not constitute part of the facilities leased to LGP under the Lease; and
- (iv) the design, construction, operation, and maintenance of a central arrivals/departures portal (the "Central Hall") at the Airport.

The Series 2016 Bonds will be payable from and secured by, in part, revenues generated by the Series 2016 Project (Project Revenues). Project Revenues consist primarily of terminal rentals and fees collected from the airlines operating in New Terminal B and concession revenues generated from the operation of New Terminal B, both described in the Report. The Series 2016 Bonds will be secured as set forth in the Indenture and the Collateral Agency Agreement.

Proceeds from the Series 2016 Bonds are anticipated to be used to:

- (i) provide funds to the Borrower to pay a portion of the Series 2016 Project,
- (ii) partially fund the Capitalized Interest Account, and
- (iii) provide funds to pay certain financing costs that may include funding of reserves, insurance, fees, and the costs of issuance of the Series 2016 Bonds.

Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement, the Indenture, or the Lease Agreement between LGP and the Port Authority.

This Report was prepared in accordance with the scope of R&A's engagement with LGP and is subject to the terms of that engagement. R&A, its officers, staff, or agents do not make any representation or warranty as to the factual accuracy of the information provided to us on behalf of LGP, the New York Transportation Development Corporation, its subcontractors or agents, or the Port Authority, upon which the Report is based. Any advice, opinions, or recommendations within this document should be read and relied upon only in the context of the Report as a whole. The contents of the Report do not provide legal, financial, insurance, or tax advice or opinions.



Mr. Stewart Steeves, CEO  
Laguardia Gateway Partners LLC  
April 26, 2016  
Page 3

The Report presents the analyses undertaken by R&A to evaluate the ability of LGP to comply with the requirements of the Senior Loan Agreement, the Collateral Agency Agreement, and the Indenture on a *pro forma* basis for Fiscal Years (FY), ending December 31<sup>st</sup>, 2016 through 2025 (the Projection Period) based on the assumptions regarding the planned issuance of the Series 2016 Bonds and the timely completion of the Series 2016 Project. In developing our analyses, R&A reviewed and verified certain projections and forecasts provided by LGP and its advisors regarding the ability of the area served by the Airport (the Air Trade Area) to generate demand for air service at the Airport, specifically at Existing and New Terminal B; trends in air service and passenger activity in Existing and New Terminal B; and the financial performance of Existing and New Terminal B. Information and assumptions used by R&A in the development of the analyses are described in the Report including references to the source of the material. The Report is organized as follows:

- Summary of Findings
- Chapter 1: LaGuardia Gateway Partners, the Port Authority, and the Series 2016 Bonds
- Chapter 2: Existing Airport Facilities and Terminal B Redevelopment
- Chapter 3: Air Trade Area and Air Traffic Activity
- Chapter 4: Financial Analysis

On the basis of the analyses presented in the Report, R&A is of the opinion that Project Revenues in each year of the Projection Period would be sufficient to comply with the Rate Covenant contained in the Senior Loan Agreement. R&A is also of the opinion that, within the context of the New York-New Jersey regional market on an airline cost per enplaned passenger basis, New Terminal B airline rates and charges should remain reasonable given the high demand to access the New York City market, the location of LaGuardia in the market, and the unlikely ability to develop significant alternative aeronautical capacity. Although summary information is provided in the first section of our Report, a complete understanding of the justification for our conclusion cannot be achieved without reading the Report in its entirety.

R&A, which was founded in 1989, is a full-service aviation consulting firm providing physical and financial planning services to airport owners and operators, airlines, and federal and state agencies. R&A has prepared Reports of the Independent Airport Consultant in support of more than \$30 billion of airport-related revenue bonds from 1996 through 2015. R&A is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934. R&A is not acting as a municipal advisor and has not been engaged by LGP to provide advice with respect to the structure, timing, terms, or other similar matters concerning the issuance of municipal securities. The assumptions regarding such matters included in this Report were provided by LGP or the LGP's financial advisors or underwriters, or, with LGP's approval, were derived from general, publically available data approved by LGP. R&A owes no fiduciary



Mr. Stewart Steeves, CEO  
Laguardia Gateway Partners LLC  
April 26, 2016  
Page 4

duty to LGP. LGP should discuss the information and analysis contained in this Report with internal and external advisors and experts that it deems appropriate before taking any action. Any opinions, assumptions, views, or information contained herein are not intended to be, and do not constitute, "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934..

The techniques and methodologies used by R&A in preparing the Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes that the approach and assumptions used in the Report are reasonable, some assumptions regarding future trends and events set forth in the Report, including, but not limited to, the implementation schedule, the forecasts of passenger activity, and the projections of financial performance, may not materialize. Therefore, actual performance will likely differ from the forecasts and projections set forth in the Report and the variations may be material. In developing its analysis, R&A used information from various sources, including LGP and its technical and financial advisors, the underwriters, federal and local governmental agencies, and independent private providers of economic and aviation industry data, which are identified in the notes accompanying the related tables and exhibits in the Report. R&A believes these sources to be reliable, but has not audited the data and does not warrant their accuracy. The analyses presented are based on conditions known as of the date of this letter. R&A has no obligation to update the Report on an ongoing basis.

Sincerely,

A handwritten signature in black ink that reads "Ricondo &amp; Associates, Inc." in a cursive, flowing script.

RICONDO & ASSOCIATES, INC.

## Table of Contents

<b>Summary of Findings .....</b>	<b>B1-13</b>
<b>LaGuardia Gateway Partners, the Port Authority, and the Series 2016 Bonds.....</b>	<b>B1-15</b>
<b>Existing Airport Facilities and the Terminal B Redevelopment .....</b>	<b>B1-18</b>
<b>Historical and Forecast Air Traffic .....</b>	<b>B1-20</b>
<b>Financial Analysis .....</b>	<b>B1-24</b>
<b>1. LaGuardia Gateway Partners, the Port Authority, and the Series 2016 Bonds.....</b>	<b>B1-33</b>
<b>1.1 LaGuardia Gateway Partners.....</b>	<b>B1-33</b>
1.1.1 VANTAGE AIRPORT GROUP (NEW YORK) LTD .....	B1-33
1.1.2 SKANSKA INFRASTRUCTURE DEVELOPMENT INC.....	B1-34
1.1.3 MERIDIAM INFRASTRUCTURE NORTH AMERICA FUND II .....	B1-34
<b>1.2 The Port Authority of New York and New Jersey.....</b>	<b>B1-34</b>
1.2.1 GOVERNING STRUCTURE .....	B1-34
1.2.2 THE PORT AUTHORITY LEASE WITH THE CITY OF NEW YORK.....	B1-35
<b>1.3 Transaction Information.....</b>	<b>B1-35</b>
<b>1.4 The Series 2016 Bonds .....</b>	<b>B1-36</b>
1.4.1 SOURCES AND USES OF BOND PROCEEDS.....	B1-38
<b>2. Existing Airport Facilities and the Terminal B Redevelopment .....</b>	<b>B1-39</b>
<b>2.1 Existing Airport Facilities.....</b>	<b>B1-39</b>
2.1.1 PASSENGER TERMINALS .....	B1-39
2.1.2 AIRFIELD .....	B1-41
2.1.3 AIRPORT SUPPORT AND AIR CARGO AREAS .....	B1-41
2.1.4 LANDSIDE ACCESS.....	B1-41
2.1.5 PARKING.....	B1-41
<b>2.2 LaGuardia Redevelopment Program .....</b>	<b>B1-42</b>
<b>2.3 Airport Projects.....</b>	<b>B1-43</b>
2.3.1 REDEVELOPMENT OF TERMINAL B (SERIES 2016 PROJECT).....	B1-43
2.3.2 CENTRAL HALL .....	B1-45
2.3.3 NEW IMPROVEMENTS.....	B1-46
2.3.4 NEW TERMINAL B CONSTRUCTION SCHEDULE AND PHASING .....	B1-46
2.3.5 TERMINAL B GATE CAPACITY – BEFORE, DURING, AND AFTER CONSTRUCTION.....	B1-51

## Table of Contents (continued)

<b>2.4</b>	<b>Estimated Series 2016 Project Costs</b> .....	<b>B1-51</b>
<b>2.5</b>	<b>Project Funding Sources</b> .....	<b>B1-52</b>
2.5.1	NEW IMPROVEMENTS AND CENTRAL HALL.....	B1-53
2.5.2	SERIES 2016 BOND PROCEEDS.....	B1-53
2.5.3	LGP EQUITY INVESTMENT.....	B1-53
2.5.4	PORT AUTHORITY FUNDS.....	B1-53
2.5.5	RE-INVESTED OPERATING CASH FLOW.....	B1-54
<b>3.</b>	<b>Air Trade Area and Air Traffic Activity</b> .....	<b>B1-55</b>
<b>3.1</b>	<b>Regional Factors Affecting Demand</b> .....	<b>B1-55</b>
3.1.1	AIRPORTS SERVING THE AIR TRADE AREA.....	B1-57
3.1.2	DEMOGRAPHIC FACTORS.....	B1-57
3.1.3	ECONOMIC FACTORS.....	B1-63
<b>3.2</b>	<b>Local and National Perspective of the Airport</b> .....	<b>B1-75</b>
<b>3.3</b>	<b>Airlines Serving the Airport</b> .....	<b>B1-80</b>
<b>3.4</b>	<b>Historical Airport Activity</b> .....	<b>B1-82</b>
3.4.1	ENPLANED PASSENGERS AND PASSENGER AIRLINE AIRCRAFT OPERATIONS.....	B1-82
3.4.2	AIR SERVICE.....	B1-84
3.4.3	AIRCRAFT OPERATIONS.....	B1-87
3.4.4	HISTORICAL AIRPORT ACTIVITY BY TERMINAL.....	B1-87
<b>3.5</b>	<b>Factors Affecting Aviation Demand at the Airport and at Terminal B</b> .....	<b>B1-93</b>
3.5.1	NATIONAL ECONOMY.....	B1-93
3.5.2	STATE OF THE AIRLINE INDUSTRY.....	B1-94
3.5.3	OPERATIONAL CAPACITY OF THE NATIONAL AIRSPACE SYSTEM.....	B1-95
3.5.4	OTHER REGIONAL AIRPORTS.....	B1-96
3.5.5	REGULATORY CONSTRAINTS AT LAGUARDIA.....	B1-100
3.5.6	INFLUENCE OF OTHER TERMINALS.....	B1-100
<b>3.6</b>	<b>Forecasts of Aviation Activity</b> .....	<b>B1-101</b>
3.6.1	NEW YORK CITY TOTAL PASSENGER FORECAST.....	B1-101
3.6.2	LAGUARDIA AIRPORT PASSENGER AND OPERATIONS FORECASTS.....	B1-102
3.6.3	TERMINAL B ACTIVITY FORECAST.....	B1-106



## Table of Contents (continued)

<b>4.</b>	<b>Financial Analysis .....</b>	<b>B1-109</b>
<b>4.1</b>	<b>Financial Framework .....</b>	<b>B1-109</b>
4.1.1	THE LEASE AGREEMENT .....	B1-109
4.1.2	RENTS UNDER THE LEASE .....	B1-110
4.1.3	CONSORTIUM FRAMEWORK .....	B1-110
<b>4.2</b>	<b>Existing Terminal B Airline Use Agreement .....</b>	<b>B1-110</b>
<b>4.3</b>	<b>New Terminal B Airline Use Agreement .....</b>	<b>B1-111</b>
<b>4.4</b>	<b>Operating and Maintenance Expenses .....</b>	<b>B1-111</b>
4.4.1	EXISTING AND NEW TERMINAL B .....	B1-113
4.4.2	O&M EXPENSE CATEGORIES .....	B1-114
<b>4.5</b>	<b>Asset Repair and Replacement .....</b>	<b>B1-118</b>
4.5.1	TIMING OF ASSESS REPAIR AND REPLACEMENT .....	B1-118
<b>4.6</b>	<b>Nonairline Revenues .....</b>	<b>B1-120</b>
4.6.1	EXISTING TERMINAL B .....	B1-121
4.6.2	NEW TERMINAL B .....	B1-122
4.6.3	PROJECTIONS OF NEW TERMINAL B CONCESSION REVENUES .....	B1-124
<b>4.7</b>	<b>Annual Debt Service .....</b>	<b>B1-127</b>
<b>4.8</b>	<b>Amortization of LaGuardia Gateway Partners Contribution .....</b>	<b>B1-130</b>
<b>4.9</b>	<b>Airline Revenues .....</b>	<b>B1-132</b>
4.9.1	PROJECTED AIRLINE REVENUES IN EXISTING TERMINAL B .....	B1-132
4.9.2	PROJECTED AIRLINE REVENUES IN NEW TERMINAL B .....	B1-132
4.9.3	COST ALLOCATION .....	B1-133
4.9.4	COST CENTERS .....	B1-134
4.9.5	FUEL SYSTEM AND DIRECT AIRLINE CHARGES .....	B1-137
4.9.6	PROJECTED AIRLINE REVENUES .....	B1-137
<b>4.10</b>	<b>New Terminal B Airline Cost per Enplaned Passenger .....</b>	<b>B1-138</b>
<b>4.11</b>	<b>Cash Flow and Debt Service Coverage .....</b>	<b>B1-140</b>
<b>4.12</b>	<b>Supplemental Long-Term Financial Projections .....</b>	<b>B1-141</b>
<b>4.13</b>	<b>Assumptions for Financial Projections .....</b>	<b>B1-141</b>
<b>4.14</b>	<b>Sensitivity Scenario .....</b>	<b>B1-142</b>

## List of Appendices

Appendix A	Projected Financial Results .....	B1-143
------------	-----------------------------------	--------

## List of Tables

Table S-1: Sources and Uses of Series 2016 Bond Proceeds .....	B1-17
Table S-2: Terminal B Redevelopment Sources and Uses of Funds.....	B1-20
Table S-3: Projected Economic Variables (2015-2025) .....	B1-21
Table S-4: Existing Terminal B versus New Terminal B Commercial Space.....	B1-26
Table S-5: Spend per Enplaned Passenger, Existing Terminal B versus New Terminal B .....	B1-27
Table 1-1: Sources and Uses of Series 2016 Bond Proceeds (in thousands).....	B1-38
Table 2-1: LaGuardia Redevelopment Program.....	B1-43
Table 2-2: Series 2016 Project Costs (in thousands) .....	B1-52
Table 2-3: Terminal B Redevelopment Sources and Uses of Funds (in thousands) .....	B1-53
Table 3-1: Historical and Projected Population (1990-2025).....	B1-58
Table 3-2: Age Distribution and Educational Attainment (2015) .....	B1-61
Table 3-3: Per Capita Personal Income (2010-2025).....	B1-62
Table 3-4: Per Capita Gross Regional/Domestic Product.....	B1-64
Table 3-5: Major Employers in the New York Area (2014).....	B1-68
Table 3-6: Fortune 500 Companies Headquartered in the Air Trade Area (2015) .....	B1-69
Table 3-7: Top 20 Destination Cities Worldwide (2014) .....	B1-72
Table 3-8: Projected Economic Variables Used in the Passenger Demand Forecasts.....	B1-75
Table 3-9: Ranking of Activity at the Top 25 United States Airports.....	B1-76
Table 3-10: Historical Shares of Enplaned Passengers for the Six Airports Serving the New York Metropolitan and Surrounding Areas .....	B1-79
Table 3-11: Scheduled Airlines Serving the Airport in 2015 .....	B1-81
Table 3-12: Historical Scheduled U.S. Passenger Airline Base.....	B1-81
Table 3-13: Historical Enplaned Passengers.....	B1-82
Table 3-14: Historical Airline Market Shares of Enplaned Passengers.....	B1-84
Table 3-15: Historical Originating and Connecting Passengers .....	B1-85
Table 3-16: LaGuardia’s Top 50 Domestic Origin and Destination Passenger Markets - 2015 .....	B1-88
Table 3-17: Top 10 New York City Area O&D Passenger Markets Without Nonstop from LaGuardia- 2015.....	B1-90
Table 3-18: Historical Airport Shares of Passenger Airline Aircraft Operations .....	B1-92
Table 3-19: Historical Aircraft Operations at LaGuardia Airport .....	B1-92
Table 3-20: Historical Enplaned Passengers by Airport Terminal.....	B1-93
Table 3-21: Forecasts of Total Airport Activity .....	B1-104
Table 3-22: Forecasts of Total Airport and Terminal B Activity .....	B1-107
Table 4-1: Frequency of Maintenance, Repair, and Replacement .....	B1-119
Table 4-2: Existing Terminal B versus New Terminal B Commercial Space.....	B1-123
Table 4-3: Spend per Enplaned Passenger Existing Terminal B versus New Terminal B .....	B1-125

## List of Exhibits

Exhibit S-1: Financial Analysis Process.....	B1-14
Exhibit S-2: Terminal B Redevelopment Contractual Structure.....	B1-16
Exhibit S-3: New Terminal B Site Layout .....	B1-19
Exhibit S-4: Terminal B Enplaned Passengers.....	B1-23
Exhibit S-5: Projected Total Operating and Maintenance Expenses.....	B1-25
Exhibit S-6: Projected New Terminal B Airline Revenues (in thousands).....	B1-29
Exhibit S-7: Airline Terminal B Cost per Enplaned Passenger.....	B1-30
Exhibit 1-1: Contractual Structure of the Transaction .....	B1-37
Exhibit 2-1: Aerial View of the Airport .....	B1-40
Exhibit 2-2: New Terminal B Site Layout .....	B1-44
Exhibit 2-3: New Terminal B Construction Schedule.....	B1-46
Exhibit 2-4A: New Terminal B Construction Phasing .....	B1-47
Exhibit 2-4B: New Terminal B Construction Phasing .....	B1-48
Exhibit 2-4C: New Terminal B Construction Phasing .....	B1-49
Exhibit 2-4D: New Terminal B Construction Phasing.....	B1-50
Exhibit 3-1: LaGuardia Airport Air Trade Area .....	B1-56
Exhibit 3-2: Household Income Distribution (2015) (in 2009 dollars) .....	B1-63
Exhibit 3-3: Civilian Labor Force and Unemployment Rate (2005-2015).....	B1-65
Exhibit 3-4: Nonagricultural Employment Trends by Major Industry Sector (2015).....	B1-71
Exhibit 3-5: New York City Area Airport Domestic O&D Passenger Volumes.....	B1-78
Exhibit 3-6: Average Domestic Yield per Passenger Mile at the Top 20 U.S. Airports.....	B1-80
Exhibit 3-7: Nonstop Destinations Served from LaGuardia Airport.....	B1-86
Exhibit 3-8: Nonstop Destinations Served from New York City Airports.....	B1-91
Exhibit 3-9: Historical Monthly Averages of Jet Fuel and Crude Oil Prices .....	B1-95
Exhibit 3-10: Scheduled U.S. and Foreign Flag Airlines at JFK, LaGuardia, and Newark Liberty.....	B1-97
Exhibit 3-11: Forecasts of Total Passengers at New York City Area Airports .....	B1-102
Exhibit 3-12: Comparison of Forecasts of Total Airport Enplaned Passengers .....	B1-105
Exhibit 3-13: Comparison of Forecasts of Total Airport Air Traffic Movements .....	B1-105
Exhibit 4-1: Breakdown of Estimated 2016 Existing Terminal B Operating and Maintenance Expenses (millions) .....	B1-112
Exhibit 4-2: Projected Existing Terminal B Operating and Maintenance Expenses (millions).....	B1-113
Exhibit 4-3: Projected New Terminal B Operating and Maintenance Expenses (millions).....	B1-114
Exhibit 4-4: Projected Operating and Maintenance Expenses .....	B1-118
Exhibit 4-5: Existing and New Terminal B Projected Asset Repair and Replacement Costs (millions) .....	B1-120
Exhibit 4-6: 2012 Nonairline Revenues in Existing Terminal B.....	B1-121
Exhibit 4-7: Spending per Enplaned Passenger by Category in Existing Terminal B and Comparison to Spending at Other Large-Hub Airport Terminals.....	B1-122

## List of Exhibits (continued)

Exhibit 4-8: Projected Concession Revenues (millions) and Concession Revenues per Terminal B Enplanement .....	B1-125
Exhibit 4-9: Projected Total Nonairline Revenues (millions) .....	B1-126
Exhibit 4-10: Projected Concession Revenue Bridge .....	B1-127
Exhibit 4-11: Estimated Debt Service on the Series 2016 Bonds (in thousands) .....	B1-128
Exhibit 4-12: Estimated Debt Service on the Series 2016 Bonds through the Term of the Lease Agreement (in thousands) .....	B1-129
Exhibit 4-13: Cost Center Allocation of Debt Service on the Series 2016 Bonds .....	B1-130
Exhibit 4-14: Estimated Amortization (in thousands) .....	B1-131
Exhibit 4-15: Allocation of Amortization to Cost Centers .....	B1-131
Exhibit 4-16: Projected Existing Terminal B Airline Revenues (in thousands) .....	B1-132
Exhibit 4-17: Projected Average New Terminal B Rental Rate (per square foot) .....	B1-135
Exhibit 4-18: Projected Airline Revenues from New Terminal B (in thousands) .....	B1-138
Exhibit 4-19: Existing and New Terminal B Airline Cost per Enplaned Passenger .....	B1-139

## Summary of Findings

LaGuardia Gateway Partners LLC (LGP or LaGuardia Gateway Partners) commissioned Ricondo & Associates, Inc. (R&A) to prepare this Report of the Independent Airport Consultant (Report) in conjunction with the issuance of the New York Transportation Development Corporation Special Facilities Bonds, Series 2016A (the Series 2016A Bonds) and the New York Transportation Development Corporation Special Facilities Bonds, Series 2016B (the Series 2016B Bonds), collectively the Series 2016 Bonds, to evaluate LGP's ability to generate Project Revenues sufficient to meet the obligations under the Senior Loan Agreement as well as the Indenture of Trust (the Indenture) between the New York Transportation Development Corporation, a local development corporation formed under Section 1411 of the New York Not-for-Profit Corporation Law, and the Trustee, including but not limited to the Rate Covenant included in the Senior Loan Agreement, on a *pro forma* basis. In developing this analysis, R&A reviewed the purpose, cost, schedule, and expected financial effects of the LaGuardia Airport (LaGuardia or the Airport) Terminal B<sup>1</sup> Project (the Series 2016 Project<sup>2</sup>), the terms of the Indenture that govern the issuance of the Series 2016 Bonds, the terms of the Series 2016 Bonds as provided by LGP's financing team, and the ability of the Existing and New Terminal B to accommodate demand.

To develop the *pro forma* analysis of LGP's financial performance, R&A reviewed the draft LaGuardia Airport Central Terminal Building Lease Agreement between the Port Authority and LaGuardia Gateway Partners (the Lease Agreement) that establishes the business arrangements between the Port Authority and LGP along with proposed airline rate setting methodologies and pro-forma revenue projections provided by LGP's financial advisors. LGP is expected to generate Project Revenues primarily from the airlines serving Terminal B through various rentals for terminal and other spaces; from fees and rents charged to concessionaires providing various goods and services to passengers within Terminal B; and from other users of Terminal B. These Project Revenues are, in large measure, driven by passenger demand for air service at the Airport, which is a function of national and local economic conditions, and the ability and willingness of the airlines to provide service at a level commensurate with this demand.

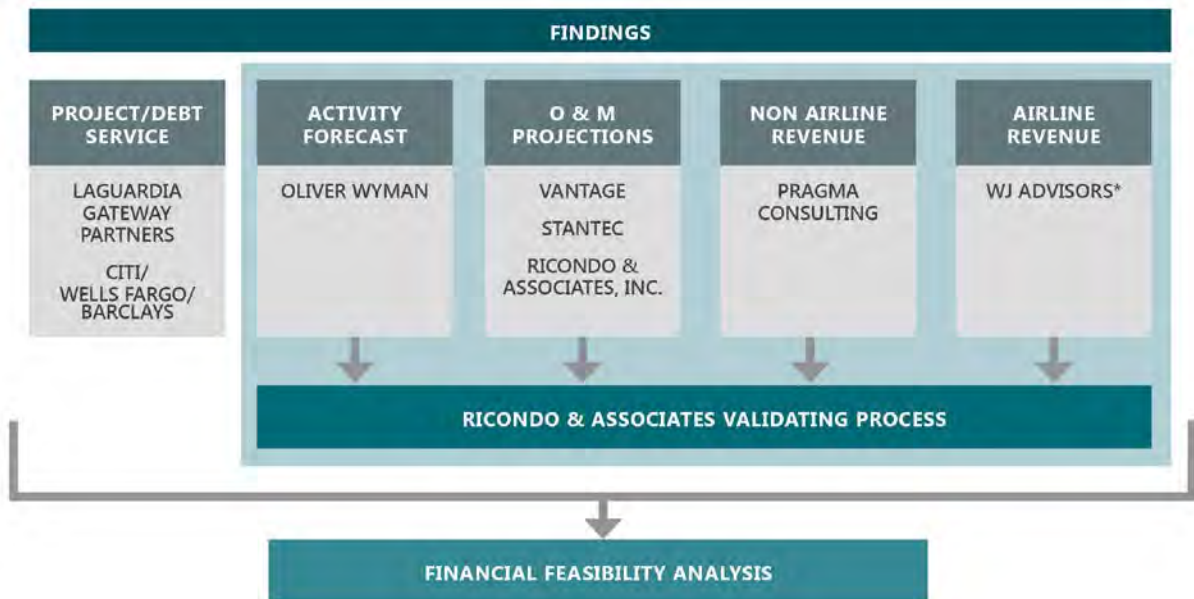
---

<sup>1</sup> References to Terminal B (also referred to as the Central Terminal Building) means, as the context requires, the Existing Terminal B facilities and New Terminal B facilities unless otherwise specified.

<sup>2</sup> For purposes of this Report, the Series 2016 Project includes design and construction of the New Terminal B including contiguous aircraft ramp and apron areas, new contiguous frontage roads and supporting buildings, site utilities and the demolition of the Existing Terminal B facilities.

The analysis presented in this Report is derived from a series of findings provided by LGP and its technical and financial advisors. R&A has received, reviewed and evaluated these assumptions in compiling this Report. R&A’s analysis process in developing this Report is shown in **Exhibit S-1**.

**Exhibit S-1: Financial Analysis Process**



\* With Financial Advisors Morgan Stanley and Societe Generale

SOURCE: Ricondo & Associates, Inc., April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

R&A reviewed the historical relationships between economic activity and demand for air service, the airlines’ provision of air service at the Airport, and the financial performance of Existing Terminal B. Based on this historical review, R&A developed assumptions regarding these factors and relationships through the Projection Period, which provided the basis for evaluating the forecasts of passenger activity and projections of financial performance presented in this Report. The following sections present a summary of R&A’s assumptions, financial projections, and findings that are set forth in the main text of the Report, which should be read in its entirety.<sup>3</sup>

<sup>3</sup> R&A prepared this document for the stated purposes expressly set forth herein and for the sole use of LGP and its intended recipients. The techniques and methodologies used in preparing this document are consistent with industry practices at the time of preparation and this Report should be read in its entirety for an understanding of the analysis, assumptions, and opinions presented. R&A is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934 and does not provide financial advisory services within the meaning of such Act.

---

## LaGuardia Gateway Partners, the Port Authority, and the Series 2016 Bonds

---

LGP<sup>4</sup> was created for the purposes of responding to a request for information from The Port Authority of New York and New Jersey (the Port Authority) related to potential alternatives to design, construct, operate, maintain, and finance elements of the Series 2016 Project. In May 2015, LGP was selected by the Port Authority to develop the terminal.

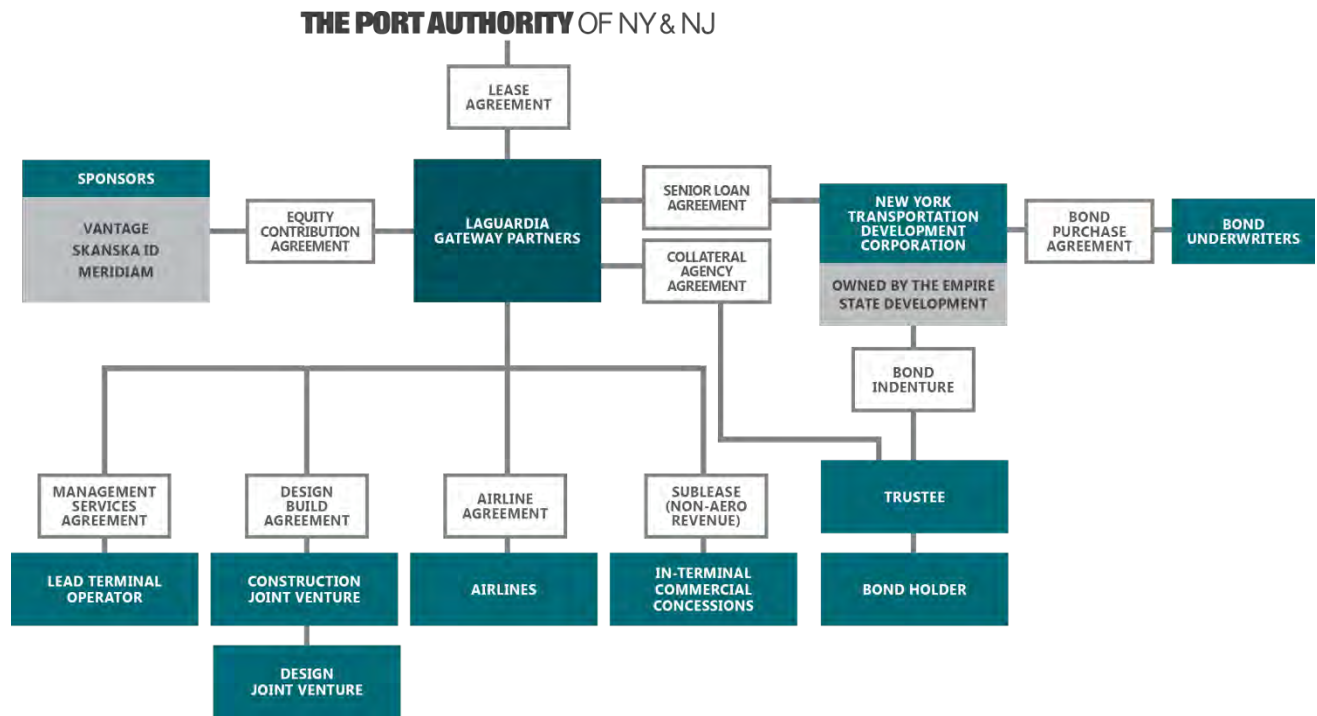
The contractual structure of the Terminal B redevelopment is shown on **Exhibit S-2**. LGP consists of Vantage Airport Group (New York) Ltd (Vantage), an affiliate of Vantage Airport Group Ltd. (Vantage AG), and special purpose subsidiaries established by each of Skanska Infrastructure Development Inc. (Skanska ID) and Meridiam Infrastructure North America Fund II (Meridiam) (collectively, the Sponsors). The Lease Agreement is expected to be executed between the Port Authority and LGP and an Equity Contribution Agreement is expected to be executed between the Sponsors and LGP.

The Series 2016 Bonds will be issued pursuant to the Indenture of Trust between the New York Transportation Development Corporation, which will act as the conduit issuer for this transaction, and the Trustee. LGP will serve as the borrower of the proceeds of the Series 2016 Bonds from the New York Transportation Development Corporation pursuant to a Loan Agreement. Project funds will be held and administered pursuant to a Collateral Agency Agreement among LGP, the Trustee, and the Collateral Agent.

---

<sup>4</sup> Incorporated as a special purpose company on June 16, 2015

**Exhibit S-2: Terminal B Redevelopment Contractual Structure**



NOTE: If an Airline Agreement is not executed, LGP expects to set rates by tariff similar to the methodology assumed in the financial analysis.

SOURCE: LaGuardia Gateway Partners LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

The Series 2016 Bonds will be payable from and secured under the Indenture and the Collateral Agency Agreement by, in part, Project Revenues generated by the Series 2016 Project. Project Revenues primarily include terminal rentals and fees collected from the airlines operating in New Terminal B and concession revenues generated from the operation of New Terminal B, both as described in the Report. Project Revenues exclude revenues from public parking.

Proceeds from the Series 2016 Bonds are anticipated to be borrowed by LGP and used to:

- (i) provide funds to the Borrower to pay a portion of the Series 2016 Project,
- (ii) partially fund the Capitalized Interest Account, and
- (iii) provide funds to pay certain financing costs that may include funding of reserves, insurance, fees, and the costs of issuance of the Series 2016 Bonds.

**Table S-1** sets forth the estimated sources and uses of the proceeds of the Series 2016 Bonds.

Additional information on LaGuardia Gateway Partners, the Port Authority, and the Series 2016 Bonds is provided in Chapter 1 of this Report.



**Table S-1: Sources and Uses of Series 2016 Bond Proceeds**

	2016A TAX-EXEMPT (AMT)	2016B TAXABLE BONDS	TOTAL
<b>Sources</b>			
Par Amount of Series 2016 Bonds	\$2,353,958	\$150,000	\$2,503,958
Net Original Issue Premium	188,510		188,510
<b>Total</b>	<b>\$2,542,467</b>	<b>\$150,000</b>	<b>\$2,692,467</b>
<b>Uses</b>			
Construction Fund Deposit	\$1,704,353	\$89,323	\$1,793,676
Development Costs Payable at Financial Close	66,564	3,436	70,000
Other Costs Payable at Financial Close	3,158	168	3,326
Construction Insurance and Overheads	208,512	8,098	216,610
Deposit to Debt Service Reserve Fund	50,408	2,923	53,331
Capitalized Interest	405,880	44,904	450,784
Other Uses	80,711		80,711
Cost of Issuance	22,791	1,148	23,939
<b>Total</b>	<b>\$2,542,467</b>	<b>\$150,000</b>	<b>\$2,692,467</b>

NOTE: AMT = Alternative Minimum Tax

SOURCE: Societe Generale, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

---

## Existing Airport Facilities and the Terminal B Redevelopment

---

The Airport is a large-hub<sup>5</sup> commercial-service airport serving New York City and the surrounding region. Its primary facilities consist of the airfield, terminal area, maintenance/airport support areas, and parking areas. The airfield consists of two runways; the terminal area includes four terminal buildings (Terminals A, B, C, and D) providing a total of 72 aircraft gates. The Airport's airfield, terminal area, and other facilities are described in Chapter 2 of this Report.

Due to its aging infrastructure and capacity constraints, the Port Authority is redeveloping Existing Terminal B. The LaGuardia Airport Terminal B redevelopment consists of the following main elements: the operation, maintenance, and demolition of Existing Terminal B; the design, construction, financing, operation and maintenance of New Terminal B and certain ancillary facilities pursuant to the Lease Agreement; the design and construction of certain improvements at the Airport (the New Improvements) (further described in Section 2.3.3), which will not be operated or maintained by LGP and will not constitute part of the facilities leased to LGP under the Lease Agreement; and the design, construction, operation, and maintenance<sup>6</sup> of a central arrivals/departures portal (the Central Hall), connecting New Terminal B and Terminal C.

**Exhibit S-3** shows the site layout of the New Terminal B. Construction is scheduled to begin in June 2016, as depicted in Exhibit 2-3 in Chapter 2 of this Report. During the anticipated construction period, Existing Terminal B will be operated and replaced in phases. Airlines will cease operations in Existing Terminal B in phases upon completion of portions of New Terminal B and Existing Terminal B facilities will be demolished. Additional information on the scope, schedule, and phasing of New Terminal B, in addition to information on gate capacity before, during, and after construction, is provided in Chapter 2 of this Report.

---

<sup>5</sup> As defined by the FAA, a large-hub airport enplanes one percent or more of enplaned passengers nationwide during a calendar year. In 2014, one percent equaled approximately 7.7 million enplaned passengers.

<sup>6</sup> Operations and maintenance expenses and asset preservation expenses for the Central Hall will be paid by the Port Authority in accordance with an approved annual budget.



LEGEND	NOTES
<span style="display:inline-block; width:15px; height:10px; background-color:grey; border:1px solid black;"></span> Existing	EES East End Substation
<span style="display:inline-block; width:15px; height:10px; background-color:lightgreen; border:1px solid black;"></span> Complete Apron/Road	CHRP Central Heating and Refrigeration Plant
<span style="display:inline-block; width:15px; height:10px; background-color:limegreen; border:1px solid black;"></span> Complete Road/Structure	

SOURCE: LaGuardia Gateway Partners LLC, LaGuardia Terminal B Replacement Project Management Presentation, February 2016.  
 PREPARED BY: Ricondo & Associates, Inc., February 2016.

**EXHIBIT S-3**

## New Terminal B Site Layout

**Table S-2** shows the sources and uses of funds for Terminal B redevelopment, including the Series 2016 Projects, the New Improvements, and the Central Hall. Uses of funds include direct construction, financing, and other costs. Additional information on Terminal B redevelopment costs is provided in Chapter 2 of this Report.

**Table S-2: Terminal B Redevelopment Sources and Uses of Funds**

SOURCES OF FUNDS	MILLIONS \$	USES OF FUNDS	MILLIONS \$
New Improvements and Central Hall Payments	\$1,200	New Improvements	\$889
Series 2016 Bond Par Amount <sup>1/</sup>	2,504	Central Hall	311
LGP Infrastructure Investment	200	Series 2016 Project Costs (Redevelopment of Terminal B)	3,964
Port Authority Funds (PFCs and/or Other Sources)	1,000		
Re-invested Operating Profit	30		
Interest Income	41		
Debt Premium	189		
<b>Total Sources of Funds</b>	<b>\$5,164</b>	<b>Total Costs</b>	<b>\$5,164</b>

NOTES:

PFCs = Passenger Facility Charges

1/ Includes project fund deposit, capitalized interest and reserves funded with proceeds from the Series 2016 Bonds.

SOURCE: LaGuardia Gateway Partners LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

## Historical and Forecast Air Traffic

The demand for air transportation at an airport is, to a large degree, dependent upon the demographic and economic characteristics of its surrounding geographical area. The relationship between the demographic and economic characteristics of an area and its demand for air travel is particularly strong for origin and destination (O&D) passenger traffic, which has historically accounted for the largest portion of airline traffic demand at the Airport—approximately 91 percent in 2014. Therefore, the major portion of demand for air

travel at the Airport is influenced more by the local socioeconomic characteristics of the Airport’s Air Trade Area<sup>7</sup> than by individual airline decisions regarding service patterns in support of connecting activity.

The Airport benefits from a large and diverse local economic base that supports business and leisure travel. The Airport serves the largest population base in the country with high household and per capita personal income. In 2014, the New York metropolitan area had the second highest Gross Regional Product (GRP) of all metropolitan areas worldwide and the tenth highest GRP per capita.<sup>8</sup> Projected economic variables indicate that the Air Trade Area will remain a destination that attracts both business travelers and tourists, positively affecting the demand for future inbound airline travel. Projected Air Trade Area economic variables further support the continued increase in numbers of local outbound passengers.

**Table S-3** presents selected 2015 and 2025 economic data for the Air Trade Area and the United States, as projected by Woods & Poole Economics, Inc.

**Table S-3: Projected Economic Variables (2015-2025)**

VARIABLE <sup>1/</sup>	2015	2025	CAGR <sup>2/</sup> 2015-2025
Air Trade Area Population	21,064,715	22,115,540	0.5%
United States Population	321,449,214	352,280,991	0.9%
Air Trade Area Total Employment	12,753,007	14,303,974	1.2%
United States Total Employment	183,345,172	210,967,567	1.4%
Air Trade Area Total Personal Income (\$ million)	\$1,222,297	\$1,493,712	2.0%
United States Total Personal Income (\$ million)	\$13,829,067	\$17,523,866	2.4%
Air Trade Area per Capita Personal Income	\$58,026	\$67,541	1.5%
United States per Capita Personal Income	\$43,021	\$49,744	1.5%
Air Trade Area Gross Regional Product (\$ million)	\$1,479,367	\$1,803,525	2.0%
United States Gross Domestic Product (\$ million)	\$16,261,994	\$20,171,743	2.2%
Air Trade Area per Capita Gross Regional Product	\$70,230	\$81,550	1.5%
United States per Capita Gross Domestic Product	\$50,590	\$57,260	1.2%

NOTES:

1/ Dollar amounts are in 2009 dollars.

2/ CAGR = Compound Annual Growth Rate

SOURCE: Woods & Poole Economics, Inc., 2015 *Complete Economic and Demographic Data Source* (CEDDS), April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

<sup>7</sup> As defined in Chapter 3, an air trade area is the geographical area served by an airport. LaGuardia Airport’s Air Trade Area consists of the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area and the Bridgeport-Stamford-Norwalk, CT Metropolitan Statistical Area; for further information, please refer to Section 3.1 of this Report.

<sup>8</sup> Source: Brookings Institution, 2014 Global Metro Monitor Map, <http://www.brookings.edu/research/reports2/2015/01/22-global-metro-monitor>, accessed October 2015.

LaGuardia's location in New York City facilitates its role as a domestic origin and destination airport for New York City passengers and visitors. The Airport ranks 20<sup>st</sup> nationally in terms of total passengers and 18<sup>th</sup> nationally in terms of total aircraft movements<sup>9</sup>. In February 2016, the Airport was served by eight major U.S. airlines and two foreign flag airlines; service was provided to 65 domestic destinations and 4 international destinations. In 2015, LaGuardia served approximately 29.4 million passengers and accommodated 360,274 aircraft operations.

The forecasts prepared by Oliver Wyman were reviewed to determine their reasonableness for use in the financial analysis. The forecasts for aviation activity at the Airport as a whole, as well as for Terminal B specifically, which were developed in October 2015 and refined through April 2016, provide data through 2050, the term of the Lease Agreement.

To forecast future activity at the Airport, total passenger demand was forecast for the New York City area and then passengers were apportioned among each airport serving the New York City area (LaGuardia, John F. Kennedy International (JFK), and Newark Liberty International Airports) based on historical shares. Passenger traffic was forecast using an econometric model that correlated historical New York City passenger volumes and U.S. Gross Domestic Product (GDP). Total demand allocated to the Airport was further refined to account for regulatory and airfield constraints, including the Perimeter Rule limiting nonstop flying to destinations within 1,500 miles (Denver as well as weekends are excepted) and slot restrictions capping hourly activity at 71 total scheduled operations.<sup>10</sup>

Growth in the number of aircraft operations, or air traffic movements (ATMs), required to accommodate additional increases in numbers of enplaned passengers was derived using a combination of assumptions concerning average aircraft seat capacity growth and additional hourly capacity growth through the forecast horizon.

To develop the Terminal B-specific activity forecast, Oliver Wyman further allocated LaGuardia passengers using historical terminal share information and considered the effect of facility improvements. Oliver Wyman assumed that American Airlines, which currently operates at Terminals B and C, will co-locate its operations at New Terminal B upon completion of construction. In order to accommodate this, Frontier Airlines, Spirit Airlines and Virgin America are assumed to move out of Terminal B. Once co-location is complete, Terminal B is forecast to account for 53.2 percent of total Airport passengers. The forecasts incorporate the uncertainties surrounding the components of passenger demand and the allocation thereof. For example, allocation of air traffic within the New York City market and allocation of LaGuardia traffic to Terminal B are uncertain.

Differences in the cost, quality of facilities, or accessibility between the terminals could affect, positively or negatively, the future number of passengers accommodated and operations at Terminal B. However, it is anticipated that relatively minor differences would have little to no effect on aviation activity at Terminal B.

---

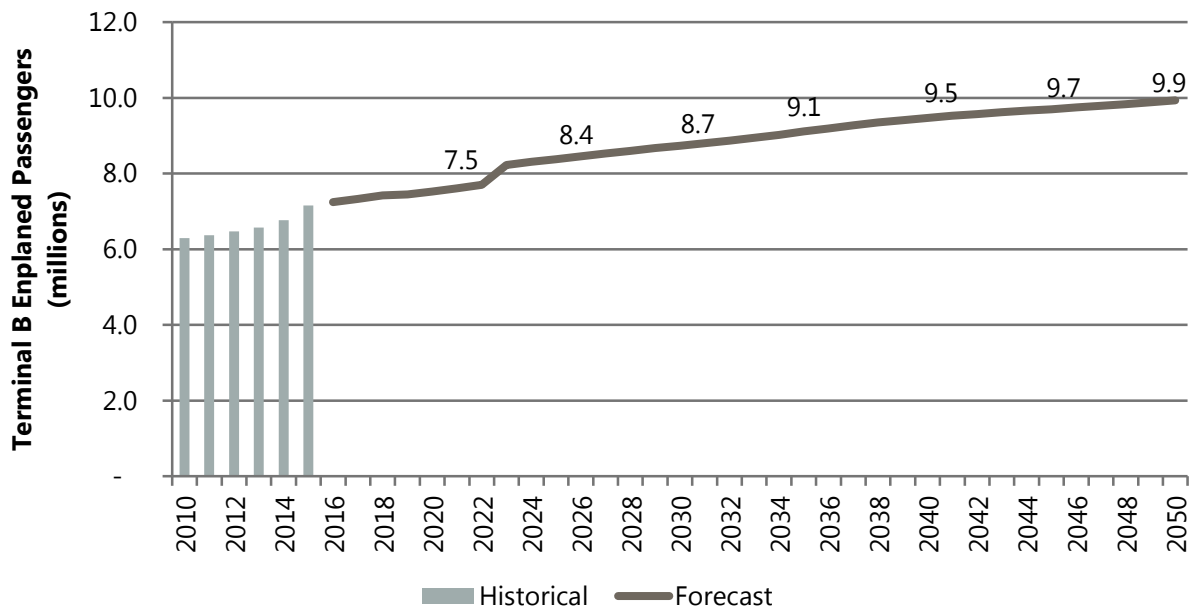
<sup>9</sup> Airports Council International-North America, *2014 North American Airport Traffic Summary*.

<sup>10</sup> Additional information about the slots, including grandfathering of previously issues slots and restrictions on non-scheduled operations, is included in Chapter 3.

The Perimeter Rule and slot restrictions were assumed to remain in effect throughout the Projection Period. If these restrictions are relaxed or rescinded in their entirety, it is possible that the number of enplaned passengers at the Airport could be higher than forecast. O&D passengers currently using Newark Liberty International and JFK to fly nonstop to destinations beyond those allowed under the Perimeter Rule could use LaGuardia instead. Increased slot limits could allow additional activity during peak hours when operations are at or near the current limit. It is unknown if growth in these currently constrained periods would be incremental growth or a shift from off-peak periods.

Historical and forecast Terminal B enplaned passengers are shown on **Exhibit S-4**. Additional information on historical traffic at the Airport and further analysis of the Oliver Wyman forecasts are provided in Chapter 3 of this Report.

**Exhibit S-4: Terminal B Enplaned Passengers**



SOURCE: The Port Authority of New York and New Jersey (historical) Oliver Wyman (forecast), April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

---

## Financial Analysis

---

Under the provisions of a lease between the Port Authority and the City of New York (the Basic Lease), the Port Authority has the right to enter into subleases to develop facilities at the Airport, including the Lease Agreement for Terminal B.

Pursuant to the Lease Agreement, LGP will design, construct, commission, operate, and maintain Terminal B. The Lease Agreement becomes effective on the Lease Commencement date and expires the earlier of (a) December 30, 2050 or upon termination of the Basic Lease (the Expiry Date) or (b) the Early Termination Date.

LGP will pass down construction obligations incurred under the Lease Agreement with the Port Authority through the Design-Build Agreement with the Design-Builder. The Design-Build Agreement will set forth the terms and conditions for design and construction of the Series 2016 Project and the New Improvements. LGP's intent is that all significant areas of construction risk during the construction period will be transferred to the Designer-Builder.

LGP will be responsible for managing the operation of Terminal B for the duration of the Project term. LGP will enter into a Management Services Agreement (MSA) with Vantage Airport Group (New York) Management Ltd. (the Manager), under which the Manager will provide LGP with certain management and support services related to the operations and maintenance work. Operating and Maintenance (O&M) Expenses include those expenses incurred by LGP related to operating and maintaining Existing Terminal B and New Terminal B during the term of the Lease Agreement. Additionally, O&M Expenses include costs associated with the Central Heating and Refrigeration Plant (CHRP) and those within the Lease Agreement boundary of the apron. O&M Expenses do not include expenses directly incurred by the airlines or the concessionaires, Port Authority costs not charged back to LGP, or costs associated with components of the Project LGP is constructing but not operating.

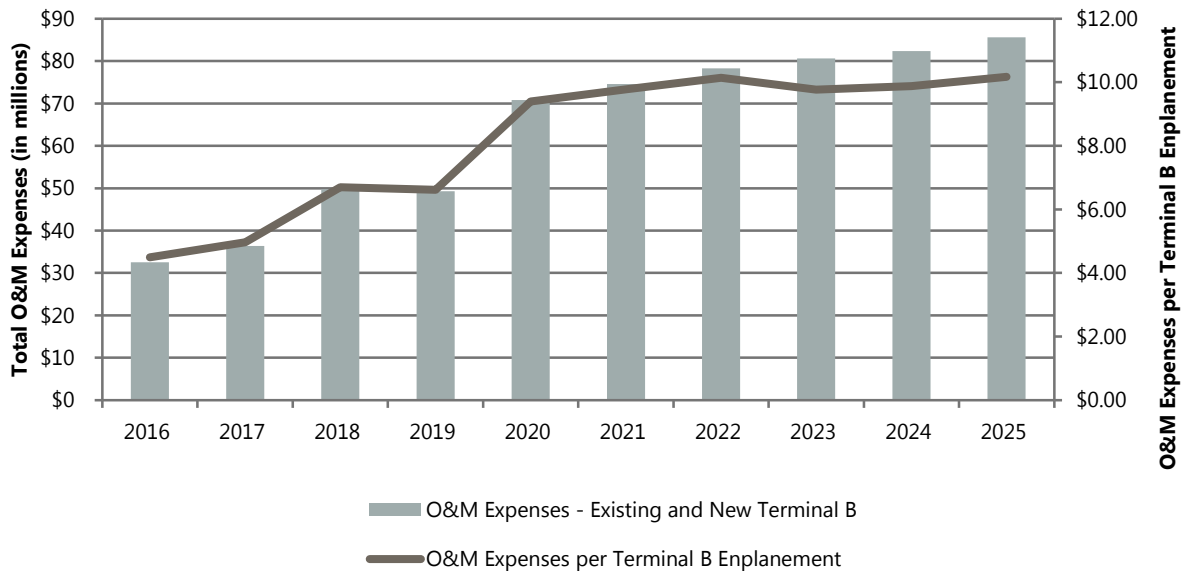
Projected O&M Expenses for Existing Terminal B are based on the type of expense, expectations of future inflation, and the anticipated phasing of the closure of Existing Terminal B. Existing Terminal B O&M Expenses are projected to increase from \$32.4 million in FY 2016 to \$36.1 million in FY 2017, then increase to \$43.2 million in FY 2018 as additional O&M Expenses are incurred when beneficial occupancy of some Project phases is achieved, and then to decrease through FY 2021 as portions of Existing Terminal B are closed. The final year that O&M Expenses are assumed to be incurred in Existing Terminal B is FY 2022, when expenses are projected to be approximately \$477,000.

O&M Expense projections for New Terminal B are based on the type of expense, expectations of future inflation, and the anticipated phasing of the redevelopment of Terminal B. New Terminal B O&M Expenses are projected to increase from \$6.5 million in FY 2018 to \$80.6 million in FY 2023, the first full year of New Terminal B operation. O&M Expenses for New Terminal B are then projected to increase at a compound annual growth rate of 3.3 percent between FY 2022 and FY 2025. O&M Expense projections for the Existing and New Terminal B are presented in Table A-1 in Appendix A of this Report.



**Exhibit S-5** presents total O&M Expenses projected to be incurred by LGP during the Projection Period and projected O&M expenses per Terminal B enplanement. Total O&M Expenses are projected to increase to approximately \$85.6 million by FY 2025, the last year of the Projection Period. Additional information on O&M Expenses is presented in Section 4.4 of this Report.

**Exhibit S-5: Projected Total Operating and Maintenance Expenses**



SOURCES: Societe Generale; Vantage Airport Group Ltd.; Ricondo & Associates, Inc., April 2016  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

LGP will manage the concession program at Terminal B from the anticipated start of the Lease Agreement in June 2016, and will implement a specific plan to maximize revenues. LGP and Pragma Consulting have developed commercial strategies for Existing Terminal B prior to closure and for New Terminal B upon opening, in terms of concessionaire management, optimal space design and layout, and product category mix. Terminal B concession revenues were categorized as follows: food and beverage, news and gift, duty free, specialty retail, and services.

Existing Terminal B provides more than 60 concession units across the five core product categories listed above. In 2014, concession gross revenues (i.e., sales) totaled \$70.1 million, with the majority from food and beverage sales. This equated to an average spend per enplaned passenger (SPEP) of \$10.40, a figure which has increased at a compound annual growth rate of 4.1 percent since 1996.

Existing Terminal B currently has a total of 44,045 square feet of gross leasable commercial space, of which 68 percent is landside (i.e., pre-security) and 32 percent is airside (i.e., post-security). This does not conform to global best practices, wherein the vast majority of concession space is located airside, as that is where passengers have longer dwell times, are more relaxed having cleared security, and, therefore, exhibit the optimal propensity to spend.

New Terminal B is designed and will be managed according to global airport best practice commercial principles to enhance the customer experience and maximize passenger spend<sup>11</sup>, and, as a result, increase nonairline revenues. The New Terminal B will include a broad variety of offerings, with gross leasable commercial space more than doubling to 103,451 square feet.

**Table S-4** presents a comparison of commercial space by category between Existing Terminal B and New Terminal B.

**Table S-4: Existing Terminal B versus New Terminal B Commercial Space**

CATEGORY	EXISTING TERMINAL B SPACE (SQ FT)	NEW TERMINAL B SPACE (SQ FT)	PERCENTAGE CHANGE	PERCENTAGE OF EXISTING TERMINAL B SPACE	PERCENTAGE OF NEW TERMINAL B SPACE
Food and Beverage	26,184	56,724	+117%	59%	55%
Speciality Retail	7,333	26,896	+267%	17%	26%
News and Gift	7,737	14,374	+86%	18%	14%
Duty Free	2,326	4,992	+115%	5%	5%
Services	465	465	0%-	1%	0%
<b>TOTAL</b>	<b>44,045</b>	<b>103,451</b>	<b>+135%</b>	<b>100%</b>	<b>100%</b>

SOURCE: Pragma Consulting, April 2016  
PREPARED BY: Ricondo & Associates, Inc., April 2016

Projected concession revenue is based on historical data for Existing Terminal B space, assumed revenue per passenger for New Terminal B space, and the forecast number of Terminal B passengers. **Table S-5** presents projected sales per enplaned passenger in each of the core concession categories in New Terminal B (when all space is anticipated to be fully opened) in 2023, along with estimated 2017 figures for Existing Terminal B that reflect LGP's management of the Existing Terminal B concession program. All amounts are shown in 2016 dollars.

Additional information regarding terminal concession revenues in the Existing and New Terminal B is included in Section 4.6 of this Report along with the Pragma Consulting report included in the Official Statement for the Series 2016 Bonds.

<sup>11</sup> Pragma Commercial Strategy & Revenue Report, March 2016.

**Table S-5: Spend per Enplaned Passenger, Existing Terminal B versus New Terminal B**

<b>SPEND PER ENPLANING PASSENGER, 2016 \$</b>	<b>FOOD AND BEVERAGE</b>	<b>DUTY FREE</b>	<b>NEWS AND GIFT</b>	<b>SPECIALTY RETAIL</b>	<b>SERVICES</b>
Existing Terminal B (2017)	\$6.97	\$0.54	\$2.50	\$0.75	\$0.38
New Terminal B (2023)	\$8.58	\$1.01	\$2.66	\$4.99	\$1.70

SOURCE: Pragma Consulting, April 2016  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

Total debt service payable on the Series 2016 Bonds is projected to be approximately \$7.5 million in 2018, as the first component of New Terminal B is anticipated to become operational, and is projected to increase each year of the Projection Period to approximately \$134.3 million in 2025. While the Projection Period of this Report is through FY 2025, it should be noted that the debt service on the Series 2016 Bonds continues to increase throughout the term of the Lease Agreement, as depicted in Exhibit 4-12 in Chapter 4 and shown on Table A-19 in Appendix A of this Report.

The plan of finance for the Project includes a \$200 million infrastructure investment from LGP. Certain net revenues and interest earnings from the operation of Existing and New Terminal B prior to substantial completion of New Terminal B are also anticipated to be used to fund the Project. LGP plans to recover these investment amounts, both the \$200 million infrastructure investment and invested net revenues, through amortization collected as part of New Terminal B rates and charges and concession revenues. Total amortization of the LGP investment is projected to be \$16.4 million in 2022, as the project is anticipated to be completed, and to increase to approximately \$24.0 million in 2023, the anticipated first full year of New Terminal B operation, and then to remain level through the remainder of the Projection Period.

Pursuant to the Lease Agreement, LGP will operate Existing Terminal B during the construction of New Terminal B and will receive Revenues from the airlines operating in Existing Terminal B under the terms of the Existing Terminal B Airline Use Agreement. The Existing Terminal B Airline Subleases between the Port Authority and the current airline users of Existing Terminal B expired on December 31, 2015, and such airlines have since been operating at Existing Terminal B as holdover tenants. The Port Authority and such airlines have negotiated Extension Agreements that would extend the term of the Existing Terminal B Airline Subleases for six years, and increase certain Existing Terminal B airline revenues. The extent to which such Extension Agreements will be fully executed and in place by the date of issuance of the Series 2016 Bonds, however, is uncertain. For purposes of the financial projections presented in this Report, it is assumed that the provisions of the Existing Terminal B Airline Subleases are in effect and airlines revenues include increases between 2 to 3 percent per year. Upon execution of the Lease Agreement, the Existing Airline Subleases will be assigned by the Port Authority to LGP. Airline Revenues from the operation of Existing Terminal B are projected to be approximately \$49.9 million in FY 2017 and then to decrease through FY 2021 as Existing Terminal B is anticipated to be phased out.

The New Terminal B Airline Use Agreement between LGP and the airlines for the use of New Terminal B is being negotiated; however, for purposes of this Report, a commercial compensatory methodology was

assumed whereby an average rental rate for New Terminal B is calculated based on total revenue-producing rentable space and applied to airline lounges, offices, and other airline exclusive use spaces; and the average rental rate will also be used to calculate other fees. Other fees charged to the airlines include: ticket counter rentals, outbound baggage system fees, baggage claim fees, holdroom and loading bridge fees, terminal apron fees, fueling system fees, and remain overnight fees.

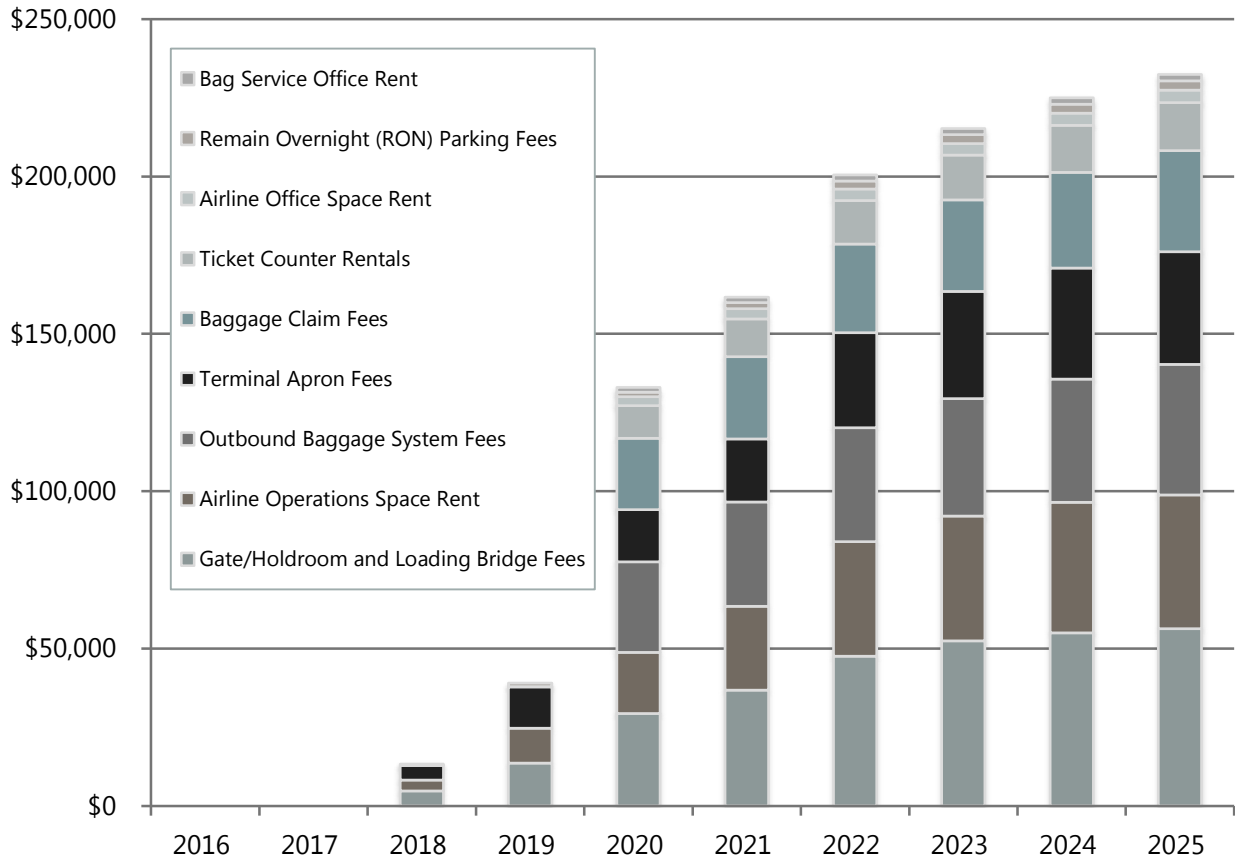
For the purpose of setting rates, annual costs in the Terminal Building Cost Center are categorized under Primary and Secondary Cost Centers. The three Primary Cost Centers currently assumed by LGP are the Terminal Building, Terminal Apron, and Fueling System. These Primary Cost Centers are further segmented into Secondary Cost Centers and costs are allocated on the basis of occupancy, use, and activity levels. Additional detail is provided in Section 4.9 of this Report.

As shown on **Exhibit S-6**, Airline Revenues, excluding Fueling System fees, clubroom rents, and tenant finishes and equipment charges, for New Terminal B are projected to increase throughout the Projection Period from approximately \$13.2 million in FY 2018 when the first component of New Terminal B is anticipated to become operational to approximately \$229.8 million in FY 2025. The increasing Airline Revenues are primarily a function of increasing O&M Expenses, amortization, and debt service associated with the phased completion of New Terminal B.

A general test of the reasonableness of airport user fees is to compare projected airline costs in a manner that accounts for airline activity. One approach is to measure airport user fees on a per enplaned passenger basis. By comparing cost per enplaned passenger (CPE) on a year-over-year basis, the reasonableness of New Terminal B user fees can be determined. The airline CPE for Terminal B is calculated by dividing the total Terminal B airline revenues by the number of enplaned passengers in Terminal B. It is important to note comparability of the Terminal B CPE against other airports is limited.

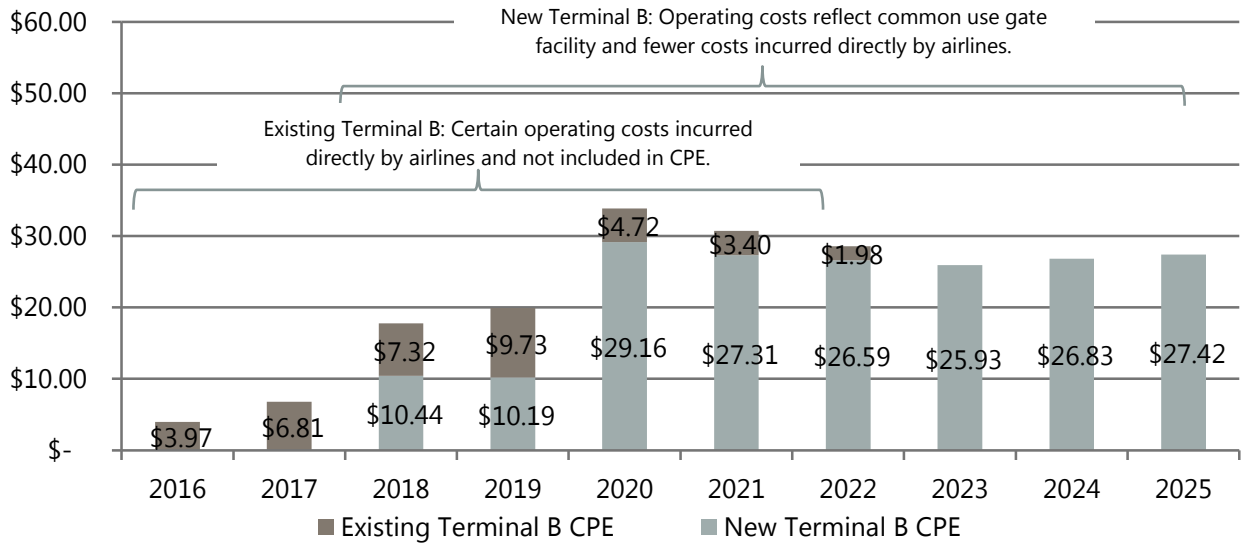
**Exhibit S-7** shows the projected airline CPE for Existing and New Terminal B. The average airline CPE includes fees and rentals paid by the airlines, excluding Fueling System fees, clubroom rents, and tenant finishes and equipment charges for Existing and New Terminal B. It should be noted that the airline CPE for Existing Terminal B is not directly comparable to the airline CPE for New Terminal B. The redevelopment of Terminal B will result in a larger facility; the Existing Terminal B is approximately 850,000 square feet compared to the New Terminal B which is anticipated to be approximately 1.39 million square feet, a 64% increase compared to Existing Terminal B. This contributes to an increase in operating and maintenance expense. In addition, expenses that are incurred directly by the airlines for the operation of Existing Terminal B are not included in the calculation of rentals and fees of Existing Terminal B and, therefore, are not reflected in the calculated average airline CPE. New Terminal B will operate as a common use gate facility and the CPE for New Terminal B includes costs that may have been previously paid directly by the airlines. As shown, the New Terminal B CPE is projected to increase from \$10.44 in FY 2018 to \$29.16 in FY 2020, and then to decrease to between \$25.93 and \$27.42 throughout the Projection Period. Variances in the CPE during construction of New Terminal B are related primarily to construction phasing and the allocation of projected enplaned passengers between Existing and New Terminal B.

**Exhibit S-6: Projected New Terminal B Airline Revenues (in thousands)**



SOURCE: WJ Advisors LLC, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Exhibit S-7: Airline Terminal B Cost per Enplaned Passenger**



SOURCE: WJ Advisors LLC, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**R&A finds that the projected New Terminal B Airline Revenues and associated user fees are reasonable.**

As shown on Exhibit S-7, the New Terminal B CPE in FY 2025 is projected to be \$27.42. This cost incorporates the construction and operation of New Terminal B. Although it is difficult to compare airline costs for airport terminals, the projected airline CPE for New Terminal B is anticipated to be among the highest in the country. The New Terminal B CPE is projected to meet or exceed the highest airport-wide CPEs that have been historically reported<sup>12</sup>. However, R&A finds the projected New Terminal B Airline Revenues and associated CPE to be reasonable based on the following:

<sup>12</sup> The highest airport-wide CPE metrics at large-hub airports have historically ranged between \$25 and \$30 (as reported in bond documents, financial statements and industry databases). However, the cost included in the CPE of each airport differs and is influenced by the costs that are charged to the airlines by the airport operator. Terminal facility costs paid directly by airlines are not included in airport CPEs.

- There is high demand to access the New York City market. The economic base, described in Chapter 3, influences the demand for travel. In 2014, the New York metropolitan area had the second highest GRP of all metropolitan areas worldwide (second to Tokyo) and the tenth highest GRP per capita.<sup>13</sup> The New York City market<sup>14</sup> was ranked first in the nation in terms of domestic O&D passengers in calendar year 2014.<sup>15</sup>
- The Airport is well-positioned geographically in the New York market. It is centrally located in the Air Trade Area and is located closest to the densely populated core including Manhattan and the surrounding area.
- Aeronautical capacity constraints exist. Slot constraints exist at LaGuardia, JFK and Newark Liberty<sup>16</sup>. In addition, alternatives for the traffic forecast at Terminal B to be accommodated elsewhere at the Airport are limited.

The airline industry group Airlines for America published that non-aircraft rents and ownership accounted for approximately 4.3 percent of system-wide total airline operating costs<sup>17</sup>. Therefore, given the aforementioned strategic significance of the Airport and aeronautical capacity constraints, R&A estimates the projected New Terminal B user fees are reasonable and will not deter the air traffic forecast at New Terminal B.

As contained in the Senior Loan Agreement:

- (a) The Borrower covenants and agrees to take all lawful measures to collect Project Revenues sufficient, after paying all Permitted O&M Expenses, to achieve a Senior Debt Service Coverage Ratio of 1.25x in a respective Fiscal Year, both on a prospective basis (based on the Borrower's annual budget) and on a retrospective basis (based on its annual audited financial statements); provided, however if the 1.25x requirement is not projected to be met for an upcoming Fiscal Year, the Borrower shall retain an Airport Consultant to recommend revisions to the Borrower's annual budget and, after taking into account such recommendations, revise its annual budget to produce (to the extent

---

<sup>13</sup> The Brookings Institution's analysis of data is based on information from Oxford Economics, Moody's Analytics, and the U.S. Department of Commerce, Bureau of the Census. Gross regional product comparison is on a purchasing power parity basis. Source: Brookings Institution, *2014 Global Metro Monitor Map*, <http://www.brookings.edu/research/reports2/2015/01/22-global-metro-monitor>, accessed October 2015.

<sup>14</sup> Includes John F. Kennedy International, Newark Liberty International, LaGuardia, Stewart International, Westchester County, and Long Island MacArthur Airports.

<sup>15</sup> U.S. Department of Transportation (DOT) DB1B Survey data.

<sup>16</sup> Information on slot constraints, including the designation of Newark Liberty from an International Air Transport Association Level 3 (slot controlled) to a Level 2 (schedule facilitated) airport effective October 30, 2016, can be found in Chapter 3. The impact of the slot constraint change at Newark Liberty has been incorporated in the forecasted activity included in this Report.

<sup>17</sup> According to data collected by Airlines for America, in the third quarter of 2015 approximately 4.3 percent of passenger airline operating expenses went to non-aircraft rents and ownership and approximately 2.1 percent went to landing fees.

practicable using prudent business judgment) sufficient Project Revenues to satisfy such 1.25x requirement.

(b) The failure of the Borrower to satisfy such 1.25x requirement as provided in subsection (a) shall not be deemed an Event of Default under Article VIII of the Indenture unless the Borrower has the reasonable opportunity to implement the Airport Consultant's recommendations (and in any case no less than a year).

(c) Notwithstanding subsection (b) above, if after the Borrower has (to the extent practicable using prudent business judgment) taken the measures to implement the Airport Consultant's recommendations the Senior Debt Service Coverage Ratio remains less than 1.25x (as evidenced by the audit report for such Fiscal Year) there shall be an Event of Default pursuant to Article VIII of the Indenture.

(d) The Borrower covenants and agrees it shall obtain Rating Confirmation prior to the issuance of any Subordinate Bonds.

The Debt Service coverage ratios projected for the Series 2016 Bonds from the completion of the Project is projected to exceed the minimum requirement of 1.25x through the Projection Period.

A sensitivity analysis was developed to assess the impacts of an ongoing 10 percent reduction in activity from Terminal B enplanement projections presented in this Report. Table A-20 in Appendix A of this Report presents the key results of the sensitivity analysis, including the impacts on concessions and other nonairline revenues, projected airline CPE, and debt service coverage calculations. This scenario assumes no impacts to the projected O&M Expenses or airline revenues described in this Report. The reduction in enplanements reduces projected terminal concessions revenues and also reduces the denominator in the CPE calculation, which increases the projected CPE. The decrease in terminal concessions revenues results in a decrease in debt service coverage by approximately 0.03x annually.



# 1. LaGuardia Gateway Partners, the Port Authority, and the Series 2016 Bonds

---

## 1.1 LaGuardia Gateway Partners

---

LaGuardia Gateway Partners LLC (LGP), comprised of Vantage Airport Group (New York) Ltd. (Vantage), an affiliate of Vantage Airport Group Ltd. (Vantage AG), and special purpose subsidiaries established by each of Skanska Infrastructure Development Inc. (Skanska ID) and Meridiam Infrastructure North America Fund II (Meridiam), was created as a special purpose company to design, build, finance, operate, and maintain the Redevelopment of Terminal B at LaGuardia Airport (the Airport) for The Port Authority of New York and New Jersey (the Port Authority or PANYNJ). Collectively, through their sponsors, the three equity partners of LGP, each of which has a one-third share, have extensive experience in development, financial structuring, and long-term asset management of airports and public-private partnership (P3) infrastructure in the United States, Canada, and outside of North America.

### 1.1.1 VANTAGE AIRPORT GROUP (NEW YORK) LTD.

Vantage is an affiliate of Vantage AG. Based in Vancouver, British Columbia, Canada, Vantage AG currently has a portfolio of eight airports across the globe. Vantage's airports served over 28.8 million passengers in 2015. As part of integrated design-build-operate teams, Vantage AG has managed \$2.5 billion in capital projects and \$4 billion in airport financing. Vancouver Airport Authority and Vantage AG are parties to a long-term Strategic Partnership Agreement, under which the parties collaborate and share information and resources.

Vantage AG has successfully managed significant and complex airport construction projects in widely different environments and operated several airports during construction, including construction coordination, operational readiness and transition, and transitions from existing terminals to new terminals in Nassau, Larnaka, Pafos and Santiago. During the successful transition of 19 airports from public to private operation,

Vantage AG has developed a proprietary transition roadmap document that is flexible for adaptation to other projects.<sup>1</sup>

### 1.1.2 SKANSKA INFRASTRUCTURE DEVELOPMENT INC.

Skanska ID is the U.S. P3 development arm of Skanska AB, one of the world's largest project development and construction groups.<sup>2</sup> Headquartered in Sweden, Skanska AB's operations include the construction and development of commercial, residential, and P3 projects in Europe and North America.<sup>3</sup> The United States is Skanska AB's single largest market, followed by Sweden. Skanska AB was founded in 1887 and ranks as the world's eighth largest international contractor (Engineering News Record 2015, "Top 250 International Contractors"). Skanska AB had global revenues of \$19.2 billion in 2015.<sup>4</sup>

### 1.1.3 MERIDIAM INFRASTRUCTURE NORTH AMERICA FUND II

Meridiam is a private equity firm specializing in P3 infrastructure asset investment in the transportation, public accommodation, health, education, and environment industry sectors. The firm primarily makes long-term investments in Organization for Economic Co-operation and Development countries in Europe and North America. Meridiam is a developer/investor in the U.S. greenfield P3 market, having successfully reached financial close on a number of high profile U.S. transportation projects, including the North Tarrant Express Motorway project (Texas) (\$2.1 billion), the Interstate Highway-635 (Lyndon B. Johnson Freeway) project (Texas) (\$2.6 billion), and the Port of Miami Tunnel project (Florida) (\$903 million). Meridiam has also participated in several transportation and other P3 projects in Europe, including the A5 Motorway (Germany), the R1 Motorway (Slovakia), the A2 Segment II Motorway project (Poland), and the Limerick Tunnel (Ireland).<sup>5</sup> Meridiam is currently managing long-term infrastructure investments valued at more than \$3 billion worldwide.<sup>6</sup>

---

## 1.2 The Port Authority of New York and New Jersey

---

### 1.2.1 GOVERNING STRUCTURE

The Port Authority, which was established in April 1921, is responsible for the construction, operation, and maintenance of critical transportation infrastructure supporting the Greater New York – New Jersey region's trade and transportation network. Its jurisdictional area, the "Port District," encompasses the area within a radius of approximately 25 miles of the Statue of Liberty in New York Harbor. In addition to four of the

---

<sup>1</sup> Vantage Airport Group Ltd.

<sup>2</sup> Skanska AB was ranked the fifth largest construction company worldwide in 2015 by Construction Global (<http://www.constructionglobal.com/top10/25/Top-10-construction-companies-in-the-world>).

<sup>3</sup> Source: <http://group.skanska.com/about-us/skanska-in-brief/>.

<sup>4</sup> Source: Skanska AB, *Review of 2015 – USD version*.

<sup>5</sup> <http://www.meridiam.com/en/investments>

<sup>6</sup> Lenders' Technical Advisor Report

region's commercial-service airports (LaGuardia, John F. Kennedy International (JFK), Newark Liberty International, and Stewart International Airports), the Port Authority operates Teterboro Airport (a general aviation facility), six tunnels and bridges, bus terminals, marine terminals, and ports throughout the New York Harbor region as well as the Port Authority Trans-Hudson (PATH) transit rail system. The Port Authority's transportation, terminal, and other facilities of commerce within the Port District are divided into five lines of business:

- Aviation,
- PATH (rail),
- Port Commerce,
- Tunnels-Bridges-Terminals, and
- The World Trade Center.

The Port Authority operates the five airports listed above through its Aviation Department. It is governed by a 12-member Board of Commissioners, with the Governors of New York and New Jersey each appointing 6 members with the approval of their respective state's Senate.

The Port Authority is a financially self-supporting entity. It does not receive tax revenue from either state or from any local jurisdiction and has no power to tax, nor does it have the power to pledge the credit of either state or any municipality. The Port Authority relies primarily on revenues generated from facility operations.<sup>7</sup>

## 1.2.2 THE PORT AUTHORITY LEASE WITH THE CITY OF NEW YORK

The Port Authority has operated both LaGuardia and JFK pursuant to the *Amended and Restated Lease of Municipal Air Terminals* (the Basic Lease) between the City of New York (the City) and the Port Authority since 1947. The Basic Lease was most recently amended and restated in November 2004, with a term extending through December 31, 2050. In addition to the establishment of rental payments due from the Port Authority to the City, the lease provides the Port Authority the right to enter into subleases regarding the development of facilities at the two airports.

---

## 1.3 Transaction Information

---

A multiyear procurement process was conducted by the Port Authority to select a team of leading private-sector construction, engineering, planning, airport management, and finance firms to work with the Port Authority in a public-private partnership. LGP<sup>8</sup> was created for the purposes of responding to a request for information from the Port Authority related to potential alternatives to design, construct, operate, maintain, and finance elements of the Terminal B redevelopment.

---

<sup>7</sup> <http://www.panynj.gov/about/facilities-services.html> (accessed November 5, 2015).

<sup>8</sup> Incorporated as a special purpose company on June 16, 2015.

The Port Authority issued a Request for Proposal (RFP) to four prequalified bidding consortia for the Terminal B redevelopment. In issuing the RFP, the Port Authority contemplated a period of negotiation with the existing airline tenants following selection of a Preferred Proposer. LGP officially submitted its bid proposal on May 19, 2014. In January 2015, New York Governor Andrew Cuomo created a seven-member Airport Advisory Panel with expertise in business, planning, and the local community to advise him and the Port Authority on the best ways to reimagine the two major airports in New York, namely LaGuardia and JFK.

In May 2015, the Port Authority's Board of Commissioners voted unanimously to begin the Terminal B redevelopment by selecting LGP to develop a world-class facility that would serve approximately 50 percent of the number of passengers served at the Airport, consistent with the recommendations of Governor Cuomo's Airport Advisory Panel. On March 24, 2016, the Port Authority's Board of Commissioners voted unanimously to approve LGP's proposal for developing, constructing and operating the terminal and central hall. The Lease Agreement is expected to be executed by LGP and the Port Authority on or about May 31, 2016. LGP continues to undergo negotiations with the airlines regarding the New Terminal B Airline Use Agreement which is discussed further in Section 4.3.

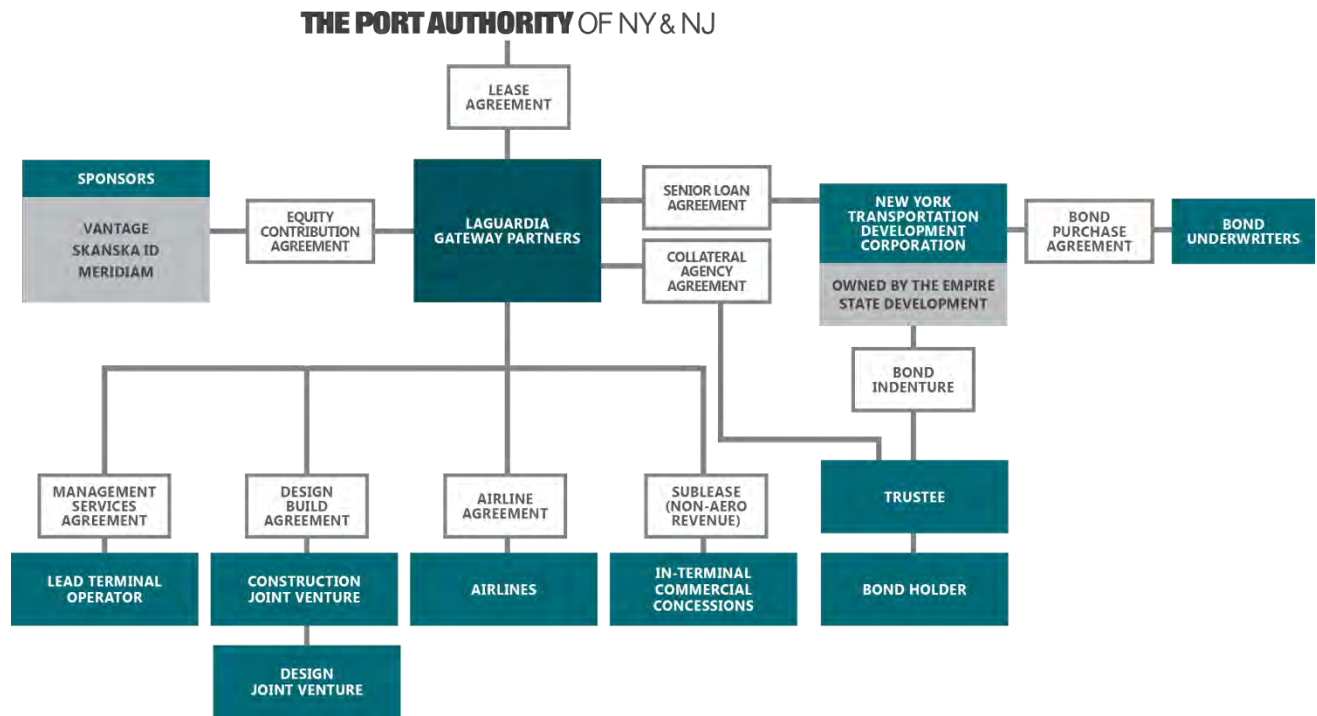
---

## 1.4 The Series 2016 Bonds

---

The Series 2016 Bonds will be issued pursuant to the Indenture of Trust between the New York Transportation Development Corporation, which will act as the conduit issuer for this transaction, and the Trustee. It is anticipated that LGP will borrow the proceeds of the Series 2016 Bonds from the New York Transportation Development Corporation pursuant to a Loan Agreement. Series 2016 Project funds will be held and administered pursuant to a Collateral Agency Agreement among LGP, the Trustee, and the Collateral Agent. **Exhibit 1-1** presents the contractual structure of the transaction.

**Exhibit 1-1: Contractual Structure of the Transaction**



NOTE: If an Airline Agreement is not executed, LGP expects to set rates by tariff similar to the methodology assumed in the financial analysis.

SOURCE: LGP, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

The Series 2016 Bonds will be payable, in part, from and secured under the Indenture and the Collateral Agency Agreement by Project Revenues generated from the Series 2016 Project. Project Revenues consist primarily of terminal rentals and charges collected from the airlines operating in Terminal B and concession revenues generated from the operation of Terminal B, both described in this Report. The Series 2016 Bonds are non-recourse to the New York Transportation Development Corporation and the Port Authority.

Proceeds from the Series 2016 Bonds are anticipated to be used to:

- (i) provide funds to the Borrower to pay a portion of the Series 2016 Project,
- (ii) partially fund the Capitalized Interest Account, and
- (iii) provide funds to pay certain financing costs that may include funding of reserves, insurance, fees, and the costs of issuance of the Series 2016 Bonds.

Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Senior Loan Agreement, the Indenture, or the Lease Agreement.

### 1.4.1 SOURCES AND USES OF BOND PROCEEDS

**Table 1-1** presents the sources and uses of the proceeds of the Series 2016 Bonds.

**Table 1-1: Sources and Uses of Series 2016 Bond Proceeds (in thousands)**

	SERIES 2016A TAX-EXEMPT (AMT)	SERIES 2016B TAXABLE BONDS	TOTAL
<b>Sources</b>			
Series 2016 Bond Principal	\$2,353,958	\$150,000	\$2,503,958
Net Original Issue Premium	188,510		188,510
<b>Total</b>	<b>\$2,542,467</b>	<b>\$150,000</b>	<b>\$2,692,467</b>
<b>Uses</b>			
Construction Fund Deposit	\$1,704,353	\$89,323	\$1,793,676
Development Costs Payable at Financial Close	66,564	3,436	70,000
Other Costs Payable at Financial Close	3,158	168	3,326
Construction Insurance and Overheads	208,512	8,098	216,610
Deposit to Debt Service Reserve Fund	50,408	2,923	53,331
Capitalized Interest	405,880	44,904	450,784
Other Uses	80,711		80,711
Cost of Issuance	22,791	1,148	23,939
<b>Total</b>	<b>\$2,542,467</b>	<b>\$150,000</b>	<b>\$2,692,467</b>

NOTE: AMT = Alternative Minimum Tax

SOURCE: Societe Generale, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

## 2. Existing Airport Facilities and the Terminal B Redevelopment

### 2.1 Existing Airport Facilities

The Airport is located on a 680-acre site bordering Flushing Bay, Bowery Bay, and the East River. Located in the New York City Borough of Queens, the Airport is 8 miles from midtown Manhattan. Accommodated within the existing Airport site are four passenger terminals, two runways, the airport traffic control tower (ATCT), and three hangars, as well as associated parking facilities. Facilities at the Airport serve activity currently subject to slot restrictions and the Perimeter Rule, which are discussed in Section 3.5.5 of this Report. The remainder of Airport property is used for airport or airline support functions, such as navigational aids and lighting, aircraft fuel storage, and equipment storage and maintenance. **Exhibit 2-1** is an aerial view of the Airport.

#### 2.1.1 PASSENGER TERMINALS

The airlines serving the Airport currently operate from passenger Terminals, A, B, C, and D, which provide a total of 72 aircraft gates. Under the Terminal B redevelopment, airlines will cease operations in Existing Terminal B in phases, as portions of the building are demolished and New Terminal B is completed.

##### *Terminal A*

Terminal A, also known as the Marine Air Terminal, was the original airport terminal building and a portion of it is a historic landmark. The terminal has six gates for narrowbody jets and is currently used by Delta Air Lines for shuttle service to Chicago and Washington, D.C.

##### *Terminal B*

Terminal B, also known as the Central Terminal Building, was completed in 1964. This terminal serves most of the Airport's scheduled domestic airlines and is the largest terminal at the Airport. The terminal is 1,300 feet long and 180 feet wide, with approximately 835,000 square feet of floor space. The terminal consists of a four-story central section, two three-story wings, and four concourses (Piers A, B, C, and D) that can accommodate up to 35 contact aircraft gate positions. Four additional aircraft parking positions adjacent to the terminal do not have passenger boarding bridges and are not used for operations. Information regarding the redevelopment of Terminal B is provided in Section 2.3 of this Report.





SOURCE: ESRI Database (Aerial Imagery), ESRI, DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community, obtained: January 17, 2016.  
PREPARED BY: Ricondo & Associates, Inc., January 2016.

**EXHIBIT 2-1**

## Aerial View of the Airport



### *Terminal C*

Terminal C, which opened in 1992, was developed by US Airways. Delta Air Lines acquired the Terminal C leasehold in 2011. Terminal C consists of 485,000 square feet and has two concourses providing 13 gates for narrowbody jets and an additional 8 gates for smaller regional jets and turboprop aircraft. The main section of the terminal post-security features a food, retail, and concessions court. In 2012, Delta expanded operations in Terminal C, opening a 600-foot-long enclosed walkway connecting Terminals C and D. The enclosed walkway provides passenger access between the terminals without the need to re-enter through security.

### *Terminal D*

Terminal D, which opened in 1983, was constructed by Delta Air Lines at the east end of the Airport. The terminal has 247,000 square feet of floor space and 10 gates. In addition, four remote hardstand aircraft parking positions are provided.

## **2.1.2 AIRFIELD**

The Airport has two runways, Runway 4-22 and Runway 13-31, each of which is 7,000 feet long and 150 feet wide. The Port Authority extended both runways over water to their present lengths and widths in 1967. The runways have high-intensity runway edge lighting and centerline and taxiway exit lighting. Touchdown zone lighting was added on Runway 13-31 in 2005 and on Runway 4-22 in 2009, both as part of the runway rehabilitation program.

## **2.1.3 AIRPORT SUPPORT AND AIR CARGO AREAS**

The Airport has limited cargo facilities, which are operated by the passenger airlines. Cargo facilities at the Airport include Building 28 and Hangar 5B.

## **2.1.4 LANDSIDE ACCESS**

The Airport is accessible directly from the Grand Central Parkway (the extension of Interstate-278). Public transportation to the Airport includes the "NY Airporter," which provides express bus transportation from the Airport to Grand Central Station, Penn Station, Bryant Park, and the Port Authority Bus Terminal in Manhattan. New York Metropolitan Transportation Authority (MTA) buses provide service between the Airport and Manhattan and Queens, with mass transit connections to the MTA system for destinations beyond. Currently, no rail or subway serves the Airport directly.

## **2.1.5 PARKING**

The Airport currently provides more than 6,900 public parking spaces, including a 2,900-space, five-level parking garage connected to Existing Terminal B. Parking Lot P1 and Parking Garage P2 are located at Existing Terminal B and will be replaced with the seven-level, 3,100-space West Garage being constructed by LGP, as described in Section 2.3. Parking Lot P3 is the Airport's long-term lot, located less than a mile from the terminals, with shuttle service to all terminals. Parking Lot P4 is adjacent to Terminals C and D. Construction of a new five-level 1,100-space East Garage on Parking Lot P4 was completed in 2015 and serves Terminals C and D. Parking Lot P5 is adjacent to Terminal D. Parking Lot P6 is adjacent to Terminal A.

---

## 2.2 LaGuardia Redevelopment Program

---

The Airport is currently undergoing an extensive capital redevelopment program in an effort to improve passenger service and operational efficiency, which includes the Series 2016 Project. The Series 2016 Project includes the demolition of Existing Terminal B and the associated infrastructure and the construction of a 1.39 million square foot New Terminal B with 35 gates; a new aeronautical ramp; frontage roads that will serve the new terminal; a new Central Heating and Refrigeration Plant (CHRP); and other utilities and site improvements. These project elements will be constructed, operated, maintained, and partially financed by LGP. In addition to the Series 2016 Project which includes the demolition of Existing Terminal B and construction of New Terminal B, LGP will design and construct certain improvements on behalf of the Port Authority, including airfield improvements between the New Terminal B contiguous aircraft ramp and apron area and the adjacent taxiways, the fit-out of Building 30, the design and construction of the West Garage and the Roadway Network, and the Utilities Replacement (collectively, the New Improvements). The New Improvements will be financed and maintained by the Port Authority. LGP will also design, construct, operate, and maintain<sup>1</sup>, but not finance, the Central Hall, a new central entry hall connecting Terminals B and C.

In conjunction with the Series 2016 Project, the Port Authority is constructing two supporting projects (the Supporting Projects): a new three-story electrical substation within Parking Lot P4 in front of Terminal C, which will serve New Terminal B as well as Terminals C and D, and electrical and communication utility trunk lines. LGP has no involvement in the Supporting Projects. The Port Authority has also recently completed other projects that have independent utility and will support airlines and passengers across the entire airport. These projects include the demolition of Hangars 2 and 4 (completed in 2015), construction of the new five-story East Garage for passengers using Terminals C and D, and elevated pedestrian walkways primarily serving Terminal C (completed in 2015). The Port Authority also initiated a runway safety enhancements installation project in 2014 that is expected to be completed at the end of 2016.

Future redevelopment projects in other areas of the Airport, beyond the scope of the Terminal B redevelopment, are currently under consideration. These include replacement of Terminals C and D by Delta, as well as the potential construction of an AirTrain, hotel, and other support facilities on Airport property. Preliminary planning efforts are under way to address these potential projects, and are pending consideration in the capital plans of the Port Authority and other entities.

**Table 2-1** lists the parties responsible for the various current and future redevelopment projects at the Airport described above, as well as the status of each project.

---

<sup>1</sup> Operations and maintenance expenses and asset preservation expenses for the Central Hall will be paid by the Port Authority in accordance with an approved annual budget.

**Table 2-1: LaGuardia Redevelopment Program**

PROJECT	PARTIES RESPONSIBLE			STATUS
	FUND	BUILD	OPERATE AND MAINTAIN	
Redevelopment of Terminal B	LGP & PA	LGP	LGP	Construction scheduled to begin in June 2016
New Improvements	PA	LGP	PA	Construction scheduled to begin in 2016
Central Hall	PA	LGP	LGP	Construction scheduled to begin in March 2020
Supporting Projects		No LGP Involvement		Under Construction
Redevelopment of Terminals C and D (by Delta)		No LGP Involvement		Preliminary Planning and Design

LGP = LaGuardia Gateway Partners; PA = The Port Authority of New York and New Jersey

SOURCES: LaGuardia Gateway Partners LLC and The Port Authority of New York and New Jersey, February 2016.

PREPARED BY: Ricondo & Associates, Inc., February 2016.

## 2.3 Airport Projects

### 2.3.1 REDEVELOPMENT OF TERMINAL B (SERIES 2016 PROJECT)

Existing Terminal B is no longer able to efficiently serve air traffic demand for the Airport. Its design parameters do not allow it to accommodate the larger, modern airline aircraft fleets and their larger passenger loads. The aging infrastructure and capacity constraints of Existing Terminal B has led the Port Authority to undertake the redevelopment. The redevelopment of Terminal B is being accomplished through a design-build-finance-operate-maintain contract with LGP and includes the construction of an estimated 1,393,791-square-foot terminal with 35 gates and associated aircraft apron and frontage roads, in addition to support facilities such as the CHRP and Consolidated Receiving and Warehouse Distribution (CRWD) facility within the existing site.

The site layout for New Terminal B is depicted on **Exhibit 2-2**. The redevelopment site includes Existing Terminal B (airside and landside), as well as the footprints of and aprons for Hangars 1, 2, and 4<sup>2</sup> and Parking Lots 1 through 5, an area totaling approximately 140 acres. The redevelopment of Terminal B received environmental approval from the Federal Aviation Administration (FAA) in December 2015 with completion of the Written Reevaluation and Record of Decision for the *Environmental Assessment for the Central Terminal Building Redevelopment Program at LaGuardia Airport*.

<sup>2</sup> Hangars 2 and 4 were demolished by the Port Authority in 2015.



SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
 PREPARED BY: Ricondo & Associates, Inc., April 2016.

**EXHIBIT 2-2**

## New Terminal B Site Layout

For purposes of this Report, the elements of the Terminal B redevelopment that are the subject of the Lease Agreement with LGP and generate the Project Revenues pledged to the Series 2016 Bonds are listed below and collectively defined as the Series 2016 Project;

- **Structural Demolition** - Abatement, deconstruction, and removal of Existing Terminal B, Hangar 1, the Existing Terminal B parking garage, the departures level roadway bridge structures, and the decommissioned Central Electrical Substation.
- **Terminal B Replacement** - Construction of an estimated 1,393,791-square-foot terminal with 35 gates and associated aircraft apron and frontage roads. New Terminal B will have two individual 'L'-shaped islands joined to a single headhouse via bridges. The headhouse will be four levels, with concessions on the upper Level 4, departures/ticketing and passenger security screening on Level 3, arrivals/baggage claim and in-line baggage screening on Level 2, and airline baggage makeup and high occupancy ground transportation on ground Level 1. Concourse A is located on the island on the western portion of the Terminal B apron and Concourse B is located on the island on the eastern portion of New Terminal B.
- **Terminal B Apron Improvements** - Construction of the apron for the 35 new gates, supported by a taxilane system with multiple aircraft startup positions and overnight parking accommodations, adjacent to the new terminal and integrated with the existing taxiway configuration.
- **Frontage Roads** - Construction of a multilevel bridge for vehicle departures and arrivals traffic, adjacent to New Terminal B, with a high occupancy vehicle lane on the at grade roadway below.
- **Utilities within the Project Site** - Telecommunications, water, natural gas, sewer, storm, and electrical service connections to New Terminal B.
- **CHRP** - Construction of a two-story stand-alone structure that will accommodate chillers, hot water generators, and other equipment to replace and upgrade the current plant.
- **Hydrant Fueling** - Installation of underground fueling infrastructure within the New Terminal B ramp area to support implementation of a future hydrant fueling system.

### 2.3.2 CENTRAL HALL

The Airport is also constructing a new central departures and arrivals hall located between New Terminal B and Terminal C, linking the two terminals (the Central Hall). The Central Hall is being constructed by LGP but will be funded by the Port Authority. Upon completion of construction, LGP will operate and maintain the Central Hall, with the Port Authority reimbursing LGP for Central Hall operations and maintenance expenses and asset preservation expenses<sup>3</sup>.

---

<sup>3</sup> LGP's continuing operations of the Central Hall are subject to Partial Termination, as defined in the Lease Agreement, by the Port Authority.

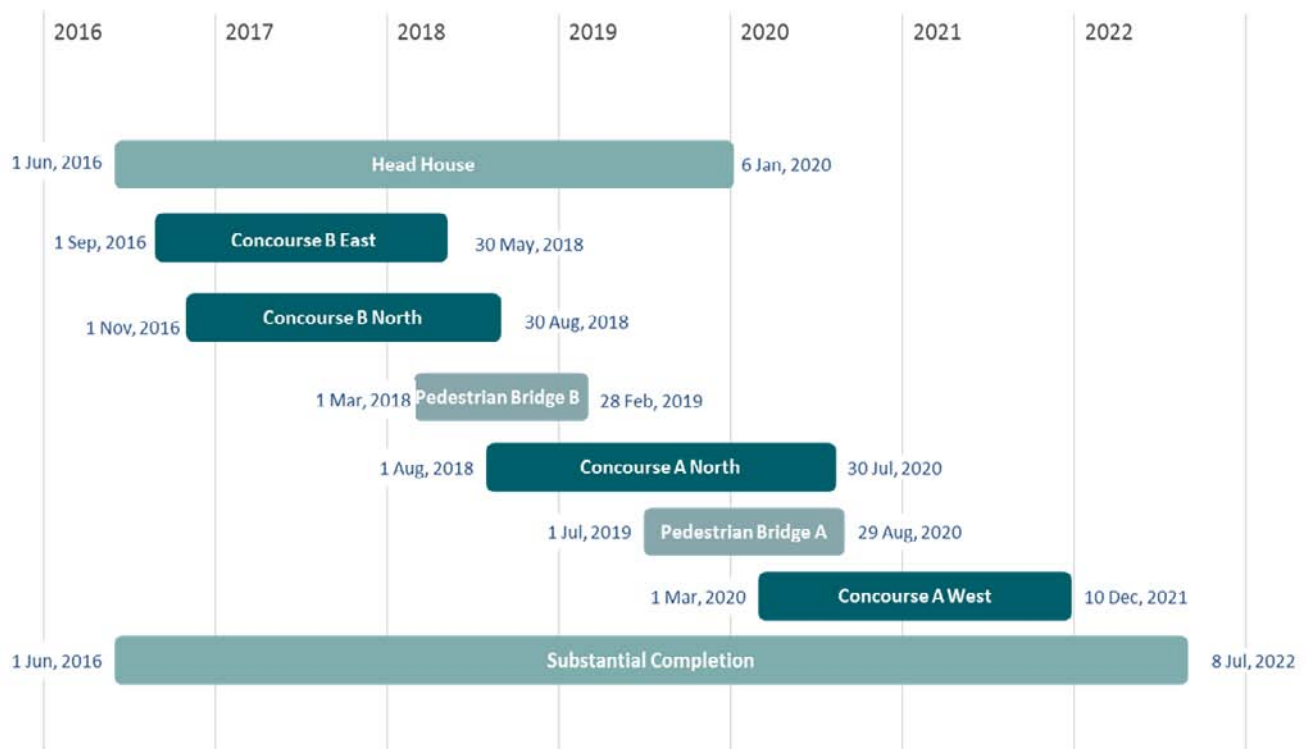
### 2.3.3 NEW IMPROVEMENTS

LGP is also constructing certain New Improvements on behalf of, funded by, and maintained by the Port Authority. These New Improvements include airfield improvements between the New Terminal B contiguous aircraft ramp and apron area and the adjacent taxiways, the fit-out of Building 30, the design and construction of the West Garage and the Roadway Network, and the Utilities Replacement.

### 2.3.4 NEW TERMINAL B CONSTRUCTION SCHEDULE AND PHASING

**Exhibit 2-3** shows the anticipated construction schedule for New Terminal B. Construction is scheduled to begin in the June 2016, pending receipt of the necessary permits, and to continue through July 2022 (including demobilization activities). During the construction period, Existing Terminal B will be operated and replaced in phases. Demolition of Existing Terminal B and related facilities and construction of New Terminal B will occur simultaneously, with different parts of Existing Terminal B taken offline as New Terminal B becomes operational. The construction is divided into multiple major phases, during which existing facilities would be demolished and replaced with new facilities, as depicted on **Exhibits 2-4A** through **2-4D**. Terminal B will remain open during construction. LGP has sequenced each construction phase with the goal of maximizing passenger level of service while minimizing potential impacts on airline operations. Gate capacity throughout the construction period is discussed in the next section.

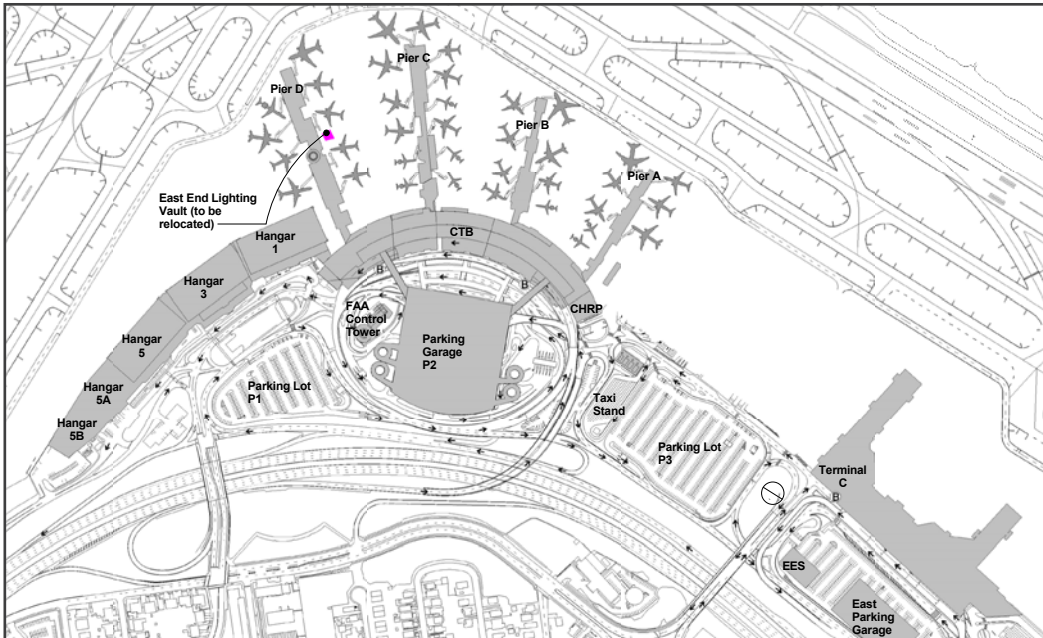
**Exhibit 2-3: New Terminal B Construction Schedule**



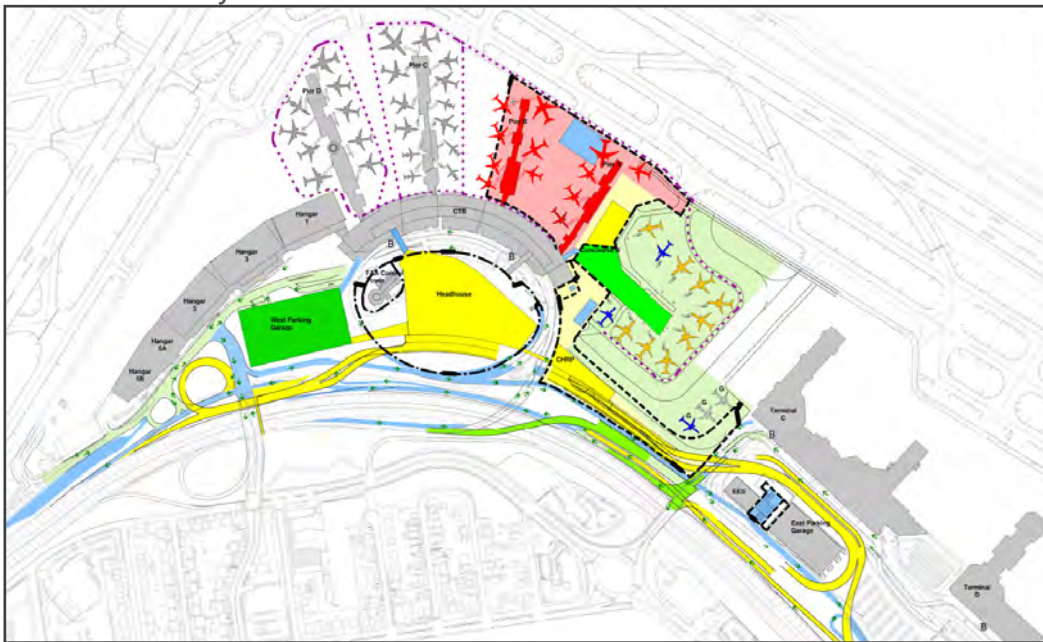
NOTE: CHRP = Central Heating and Refrigeration Plant  
SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
PREPARED BY: Ricondo & Associates, Inc., March 2016.



**Pre-Construction**



**Phase 1 - TCO: May 2018**



**LEGEND**

Existing	Temporary Labor/Tool Camps/Roads	Complete Road Structure
Demo Building	Complete Building	Under Construction Building
Demo Apron/Road	Complete Apron/Road	Under Construction Apron/Road

**NOTES**

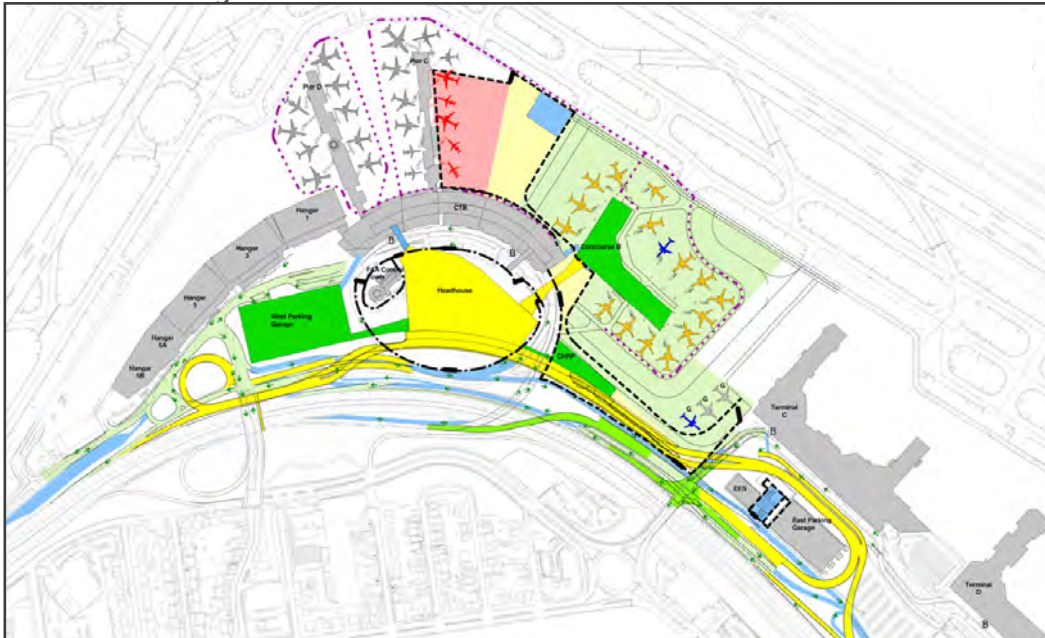
CTB	Central Terminal Building	TCO	Temporary Certificate of Occupancy
EES	East End Substation	DBO	Date of Beneficial Occupancy
CHRP	Central Heating and Refrigeration Plant		

SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

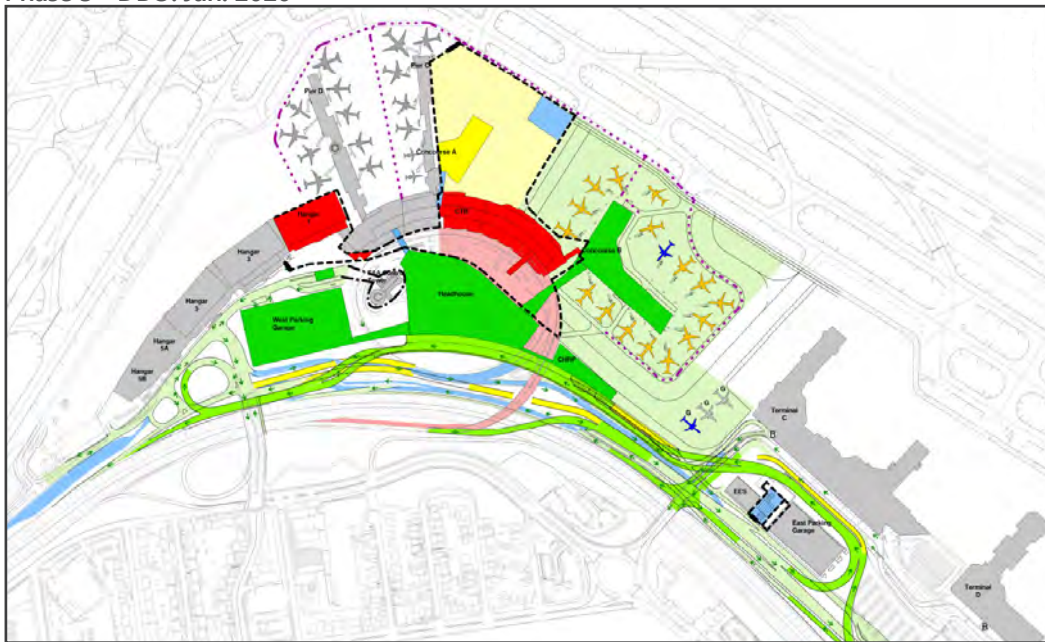
**EXHIBIT 2-4A**

**New Terminal B Construction Phasing**

Phase 2 - DBO: Aug. 2018



Phase 3 - DBO: Jan. 2020



**LEGEND**

Existing	Temporary Labor/Tool Camps/Roads	Complete Road Structure
Demo Building	Complete Building	Under Construction Building
Demo Apron/Road	Complete Apron/Road	Under Construction Apron/Road

**NOTES**

CTB	Central Terminal Building	TCO	Temporary Certificate of Occupancy
EES	East End Substation	DBO	Date of Beneficial Occupancy
CHRP	Central Heating and Refrigeration Plant		

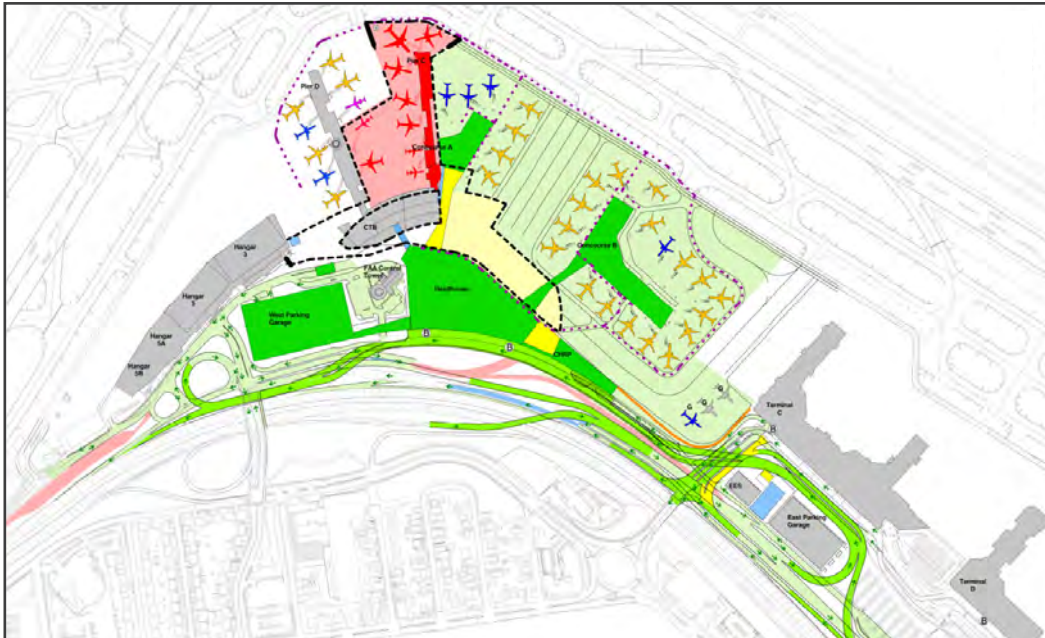
SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**EXHIBIT 2-4B**

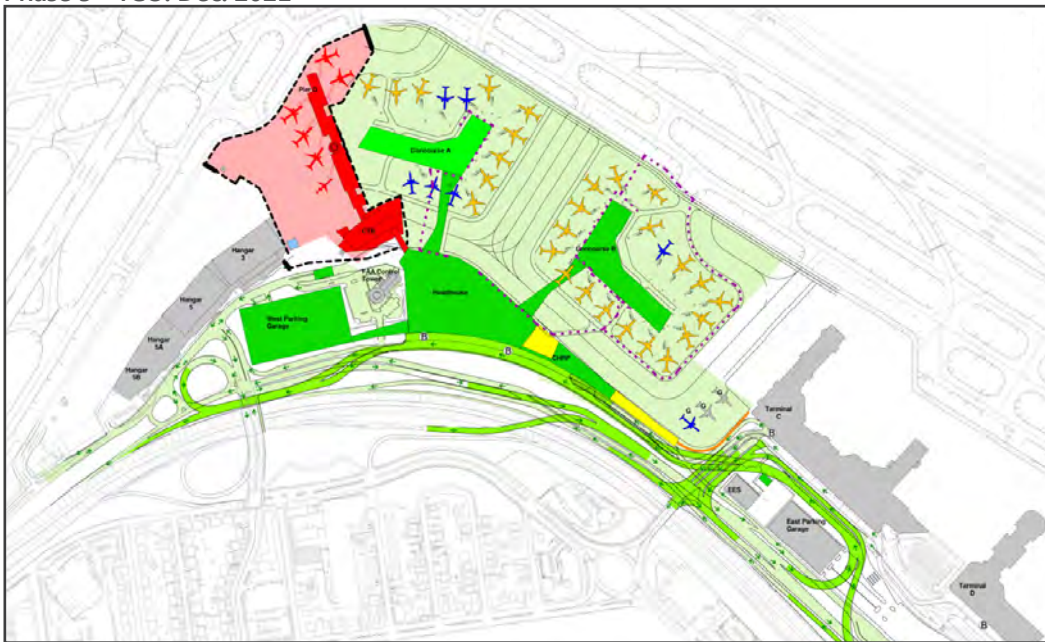
New Terminal B Construction Phasing



Phase 4 - DBO: Jul. 2020



Phase 5 - TCO: Dec. 2021



**LEGEND**

Existing	Temporary Labor/Tool Camps/Roads	Complete Road Structure
Demo Building	Complete Building	Under Construction Building
Demo Apron/Road	Complete Apron/Road	Under Construction Apron/Road

**NOTES**

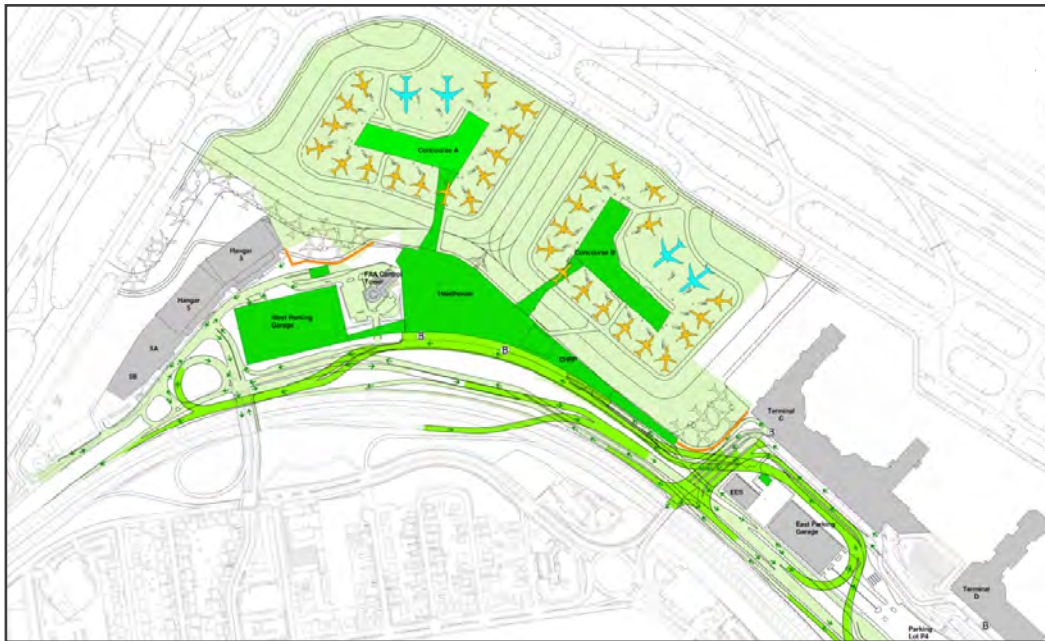
CTB	Central Terminal Building	TCO	Temporary Certificate of Occupancy
EES	East End Substation	DBO	Date of Beneficial Occupancy
CHRP	Central Heating and Refrigeration Plant		

SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
 PREPARED BY: Ricondo & Associates, Inc., April 2016.

**EXHIBIT 2-4C**

**New Terminal B Construction Phasing**

Phase 6 - DBO: Jul. 2022



**LEGEND**

Existing	Temporary Labor/Tool Camps/Roads	Complete Road Structure
Demo Building	Complete Building	Under Construction Building
Demo Apron/Road	Complete Apron/Road	Under Construction Apron/Road

**NOTES**

CTB	Central Terminal Building	TCO	Temporary Certificate of Occupancy
EES	East End Substation	DBO	Date of Beneficial Occupancy
CHRP	Central Heating and Refrigeration Plant		

SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**EXHIBIT 2-4D**

New Terminal B Construction Phasing

### 2.3.5 TERMINAL B GATE CAPACITY – BEFORE, DURING, AND AFTER CONSTRUCTION

Pre-construction gate capacity in Existing Terminal B is 35 gates. During the construction period, as gates are closed on Piers A, B, C, and D of Existing Terminal B, gates will open on Concourses A and B of New Terminal B. The aircraft parking plan for New Terminal B accommodates 35 gates<sup>4</sup> at completion.

In the initial construction phases, it is expected that all airlines will continue operating from the same existing piers as they operate in today. However, the number of available gates will fluctuate during construction. It is anticipated that the airlines may have to share facilities and common-use equipment to continue providing an acceptable level of service to passengers.

All of the facilities within the new concourses will utilize common-use equipment, allowing operational flexibility. Upon completion of New Terminal B, it is anticipated that American Airlines will have co-located its operations in both Concourses A and B. American Airlines is the only airline anticipated to have split operations between Concourses A and B once New Terminal B is fully operational.

Additional refinement of the construction phasing plans and the associated gate allocation strategy is anticipated to occur up to and possibly beyond the start of construction. However, LGP anticipates being able to provide sufficient infrastructure to accommodate aeronautical demand throughout the construction period.

---

## 2.4 Estimated Series 2016 Project Costs

---

Total Series 2016 Project costs for construction and design are estimated to be \$4.0 billion, which does not include the construction and design costs of the New Improvements or the Central Hall to be designed and built by LGP but funded by the Port Authority. The estimated Series 2016 Project costs are provided in **Table 2-2**.

---

<sup>4</sup> The 35 gates in New Terminal B could be reconfigurable to accommodate more or less aircraft depending on the distribution of regional jet, narrowbody, and widebody aircraft. The Lease Agreement includes parking positions west of Terminal B currently available for remain overnight (RON) parking of aircraft.

**Table 2-2: Series 2016 Project Costs (in thousands)**

PROJECT CONSTRUCTION COMPONENT	MILLION \$
<b>USES OF FUNDS</b>	
New Terminal B – DBJV Fixed Price	\$2,788
LGP capital costs/ contingencies	60
Airline Tenant Fit-outs and relocation	66
Financial Close and debt issuance costs	97
Construction Insurance	157
SPV/ O&M capitalized costs	110
Reserve Pre-Funding	107
Other Contingencies	90
Interest Payments	488
<b>Total Series 2016 Project Costs<sup>1/</sup></b>	<b>\$3,964</b>

NOTE:

1/ Does not include the costs of the New Improvements or the Central Hall, both of which will be constructed by LGP, but paid for by the Port Authority.

SOURCE: LaGuardia Gateway Partners LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

## 2.5 Project Funding Sources

A combination of funding sources will be used to fund the Terminal B redevelopment, including proceeds from the proposed Series 2016 Bonds, LGP infrastructure investment, re-invested Project Revenues, and Port Authority funds. **Table 2-3** shows the sources and uses of funds. The total cost, which includes the cost of the Central Hall and the New Improvements, is approximately \$5.2 billion. Approximately \$1.2 billion in Project costs is expected to be funded by the Port Authority, in New Improvements and Central Hall Payments to LGP; approximately \$2.7 billion is expected to be funded with proceeds and premium of the Series 2016 Bonds; approximately \$31 million will be funded using re-invested Net Project Revenues generated during construction, \$200 million is expected to be funded from LGP; and \$1 billion is expected to be funded with Port Authority funds. The uses of funds include construction of the new facilities, the payment of ongoing financing-related costs and capitalized interest, and reserves and contingencies.

**Table 2-3: Terminal B Redevelopment Sources and Uses of Funds (in thousands)**

<b>SOURCES OF FUNDS</b>	<b>MILLIONS \$</b>	<b>USES OF FUNDS</b>	<b>MILLIONS \$</b>
New Improvements and Central Hall Payments	\$1,200	New Improvements	\$889
Series 2016 Bond Par Amount <sup>1/</sup>	2,504	Central Hall	311
LGP Infrastructure Investment	200	Series 2016 Project Costs (Redevelopment of Terminal B Project Scope)	3,964
Port Authority Funds (PFCs and/or Other Sources)	1,000		
Re-invested Operating Profit	30		
Interest Income	41		
Debt Premium	189		
<b>Total Sources of Funds</b>	<b>\$5,164</b>	<b>Total Costs</b>	<b>\$5,164</b>

NOTE: PFCs = Passenger Facility Charges

1/ Includes project fund deposit, capitalized interest and reserves funded with proceeds from the Series 2016 Bonds.

SOURCE: LaGuardia Gateway Partners LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

### 2.5.1 NEW IMPROVEMENTS AND CENTRAL HALL

The approximately \$1.2 billion in costs associated with construction of the New Improvements and the Central Hall will be funded by direct payments by the Port Authority to LGP.

### 2.5.2 SERIES 2016 BOND PROCEEDS

LGP anticipates that approximately \$2.7 billion of Series 2016 Project costs will be funded with proceeds from the sale of the Series 2016 Bonds and Bond premium. LGP does not anticipate that any other bond funds will be needed to fund the Series 2016 Project or the ongoing maintenance of New Terminal B.

### 2.5.3 LGP INFRASTRUCTURE INVESTMENT

LGP anticipates that \$200 million of Series 2016 Project costs will be funded through LGP in the form of funds contributed equally by the member entities established by Vantage, Skanska ID, and Meridiam. Letters of credit will be posted at financial close.

### 2.5.4 PORT AUTHORITY FUNDS

It is anticipated that up to \$1.0 billion of Port Authority funds will be used to fund passenger facility charge (PFC) eligible project costs. The Port Authority may elect to use PFCs or other Port Authority funds to fulfill this obligation.

LGP provided a PFC funding plan to the Port Authority; the plan provides information on the PFC-eligible project costs and the timing of these costs. LGP estimates that PFC-eligible project costs exceed \$1 billion and include the apron, roads, portions of the terminal headhouse and concourses, and allocable portions of demolition and design and engineering. The timing and availability of the \$1 billion of Port Authority funds is not dependent on FAA approval of a PFC application.

#### 2.5.5 RE-INVESTED OPERATING CASH FLOW

Net Project Revenue, as defined in the Indenture includes Project Revenue generated by LGP through the operation of Existing Terminal B and New Terminal B during the term of the Lease between LGP and the Port Authority. LGP intends to use Net Project Revenues generated during construction of the Project to fund approximately \$30 million of Series 2016 Project construction costs. Additional information regarding Net Project Revenues is provided in Section 4.9 of this Report.



## 3. Air Trade Area and Air Traffic Activity

This chapter presents a description of regional factors affecting future aviation demand and a forecast of aviation activity.

### 3.1 Regional Factors Affecting Demand

An air trade area is the geographical area served by an airport, and the boundaries of an airport's air trade area are influenced by such factors as the location of other metropolitan areas and their associated airport facilities. For purposes of this Report, the Airport's Air Trade Area consists of the Bridgeport-Stamford-Norwalk, CT Metropolitan Statistical Area (MSA) and the New York-Newark-Jersey City, NY-NJ-PA MSA.<sup>1</sup> As presented on **Exhibit 3-1**, the Airport's Air Trade Area<sup>2</sup> encompasses 26 counties in four states: Fairfield County in Connecticut; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union Counties in New Jersey; Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, and Westchester Counties in New York; and Pike County in Pennsylvania. The Air Trade Area is served by six commercial airports, which are discussed in further detail in Section 3.5.4. Demographic, economic, and competitive factors all affect the market for air travel in the Air Trade Area. R&A considered these factors when assessing the activity forecast for the Airport and, specifically, for Terminal B.

---

<sup>1</sup> A Metropolitan Statistical Area is a geographic entity delineated by the Office of Management and Budget for use by federal statistical agencies in collecting, tabulating, and publishing federal statistics. As defined by the Office of Management and Budget, Metropolitan Statistical Areas have at least one urbanized area with a population of 50,000 or more, plus adjacent territory that has a high degree of social and economic integration with the urbanized area, as measured by commuting ties.

<sup>2</sup> In defining the Air Trade Area, the driving time to/from the Airport was taken into consideration. The Bridgeport-Stamford-Norwalk, CT MSA (consisting of Fairfield County) is within 60 minutes driving time of the Airport and, while certain portions of the 25-county New York-Newark-Jersey City, NY-NJ-PA MSA are beyond 60 minutes driving time of the Airport, the New York-Newark-Jersey City, NY-NJ-PA MSA in its entirety is considered within the Air Trade Area for purposes of this Report.

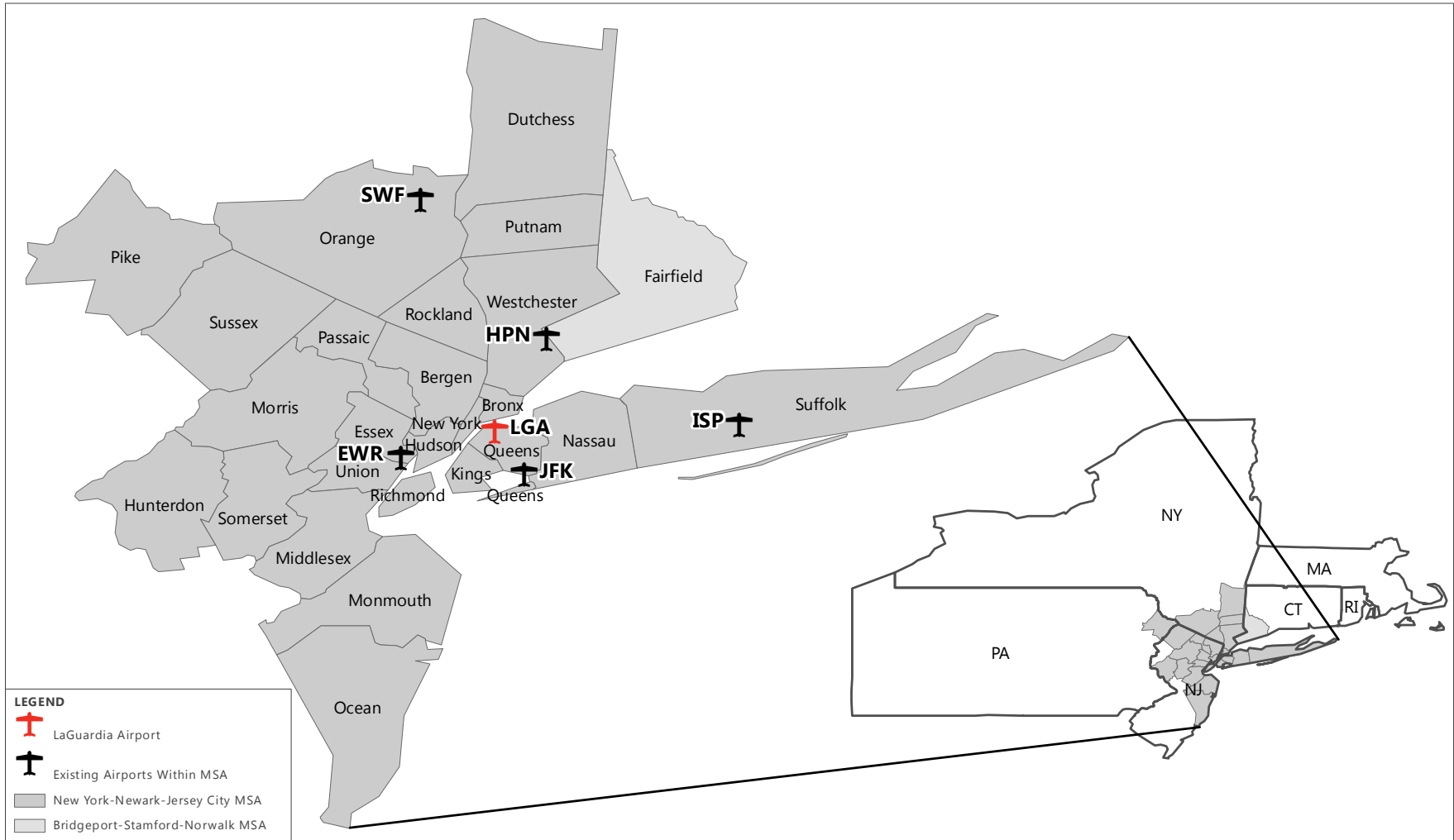


EXHIBIT 3-1

LaGuardia Airport Air Trade Area



### 3.1.1 AIRPORTS SERVING THE AIR TRADE AREA

The Air Trade Area is served by six commercial airports. The Port Authority operates the three largest airports, all located in, or near, New York City – LaGuardia, JFK, and Newark Liberty– as well as Stewart International Airport in Newburgh, New York. The airports in the Air Trade Area not operated by the Port Authority are Westchester County Airport in White Plains, New York and Long Island MacArthur Airport in the Town of Islip, New York. Factors such as the number of airlines serving the airport, the destinations served from the airport, airfares, level of service, access to/from the point of origination/destination within the New York Area, and air traffic congestion/potential for travel delays all factor into a passenger’s selection of an airline and airport for flights on a particular trip. LaGuardia is located closest to the densely populated core area surrounding Manhattan, but activity constraints at the Airport have resulted in increased market shares for JFK and Newark Liberty over the past 10 years. The key physical aspects of each of the six airports serving the New York-New Jersey region are described in Section 3.5.4.

### 3.1.2 DEMOGRAPHIC FACTORS

The demand for air transportation at a particular airport is, to a large degree, dependent upon the demographic and economic characteristics of the geographical area served by that airport (i.e., its air trade area). The relationship between the demographic and economic characteristics of an area and the related demand for air travel is particularly true for origin and destination passenger traffic, which has historically accounted for the largest portion of airline traffic at the Airport - approximately 91 percent in 2014.<sup>3</sup> Therefore, the majority of demand for air travel at the Airport is influenced more by the local socioeconomic characteristics of the surrounding area than by individual airline decisions regarding service patterns in support of connecting activity. The following two subsections present data that indicate that the demographic and economic base of the Airport’s Air Trade Area is capable of supporting increased demand for air travel. For purposes of comparison, demographic and socioeconomic data for the combined states of Connecticut, New Jersey, and New York (the CT-NJ-NY region) and the United States is provided in addition to demographic and socioeconomic data for the Air Trade Area.

#### 3.1.2.1 Population

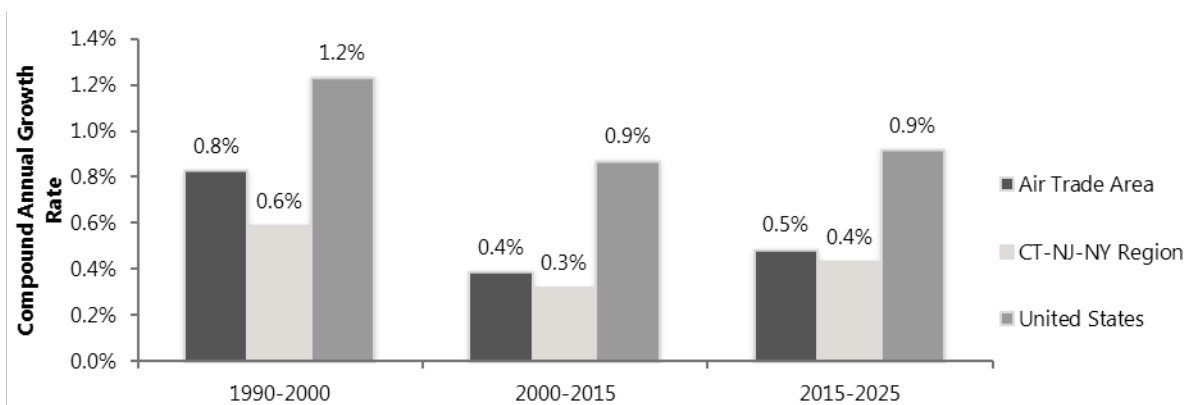
There is typically a positive correlation between population growth in a local area and air travel demand. Historical population for the Air Trade Area, the CT-NJ-NY region, and the United States is presented in **Table 3-1**. As shown, population in the Air Trade Area increased from approximately 18.3 million in 1990, to approximately 19.9 million in 2000, and to approximately 21.1 million in 2015. Approximately 8.5 million of the Air Trade Area’s 21.1 million residents in 2015 lived in New York City. The 26-county Air Trade Area is the most populous metropolitan region in the United States and is a major air transportation market.

---

<sup>3</sup> Actual 2014 enplaned passenger data were provided by Oliver Wyman.

**Table 3-1: Historical and Projected Population (1990-2025)**

AREA	HISTORICAL			PROJECTED
	1990	2000	2015	2025
Fairfield County, CT	828,860	884,364	947,446	992,497
Bergen County, NJ	826,129	885,180	928,393	950,017
Essex County, NJ	778,564	792,253	788,388	787,626
Hudson County, NJ	554,289	610,135	664,241	688,851
Hunterdon County, NJ	108,128	122,579	128,662	142,355
Middlesex County, NJ	673,469	752,880	839,342	899,274
Monmouth County, NJ	554,210	616,849	636,732	677,626
Morris County, NJ	421,803	471,326	504,057	531,459
Ocean County, NJ	434,623	513,608	596,712	672,240
Passaic County, NJ	470,951	490,733	508,081	523,687
Somerset County, NJ	241,464	298,761	335,133	361,167
Sussex County, NJ	131,346	144,714	147,979	159,359
Union County, NJ	494,140	523,124	549,193	557,512
Bronx County, NY	1,207,053	1,334,319	1,432,828	1,515,237
Dutchess County, NY	260,238	280,914	299,131	312,477
Kings County, NY	2,303,679	2,467,006	2,626,767	2,825,203
Nassau County, NY	1,286,905	1,336,713	1,357,292	1,392,332
New York County, NY	1,487,073	1,540,547	1,631,545	1,669,548
Orange County, NY	308,803	342,892	379,889	404,744
Putnam County, NY	84,222	96,049	101,616	112,799
Queens County, NY	1,957,281	2,230,501	2,311,488	2,405,165
Richmond County, NY	380,564	445,235	481,220	530,048
Rockland County, NY	265,981	287,720	325,124	349,338
Suffolk County, NY	1,322,686	1,424,081	1,511,851	1,584,153
Westchester County, NY	875,578	925,511	973,176	1,001,826
Pike County, PA	28,764	46,380	58,429	69,000
<b>Air Trade Area</b>	<b>18,286,803</b>	<b>19,864,374</b>	<b>21,064,715</b>	<b>22,115,540</b>
<b>CT-NJ-NY Region</b>	<b>29,075,714</b>	<b>30,844,178</b>	<b>32,382,404</b>	<b>33,822,507</b>
<b>United States</b>	<b>249,622,814</b>	<b>282,162,411</b>	<b>321,449,214</b>	<b>352,280,991</b>



SOURCE: Woods & Poole Economics, Inc., 2015 Complete Economic and Demographic Data Source (CEDDS), April 2015.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

At a compound annual growth rate of 0.8 percent between 1990 and 2000, population growth in the Air Trade Area was more rapid than that experienced in the CT-NJ-NY region (compound annual growth rate of 0.6 percent), but less rapid than population growth in the nation as a whole (compound annual growth rate of 1.2 percent) during this period. Between 2000 and 2015, population growth in the Air Trade Area slowed to a compound annual growth rate of 0.4 percent, while population growth slowed to a compound annual growth rate of 0.3 percent in the CT-NJ-NY region and to a compound annual growth rate of 0.9 percent in the United States. Population growth in the Air Trade Area between 2000 and 2015 is comparable to the growth experienced in other major metropolitan areas, including Los Angeles and Chicago.<sup>4</sup>

Table 3-1 also presents population projections prepared by Woods & Poole Economics, Inc., for the Air Trade Area, the CT-NJ-NY region, and the United States in 2025.<sup>5</sup> Population in the Air Trade Area is projected to increase at a compound annual growth rate of 0.5 percent between 2015 and 2025, reaching approximately 22.1 million in 2025. Population growth is projected to be slightly slower (compound annual growth rate of 0.4 percent) in the CT-NJ-NY region between 2015 and 2025, but faster in the nation (compound annual growth rate of 0.9 percent). The Air Trade Area's lagging projected population growth is not unusual for its geographic region. A *Forbes Magazine* article on regional population, Gross Domestic Product (GDP), and employment growth in the next decade notes that, as second only to Florida as the nation's most child-free region, the Northeast's demographics resemble those of aging Western Europe.<sup>6</sup> As the region's population ages and domestic outmigration continues, future population growth in the Northeast is expected to be among the slowest in the nation.<sup>7</sup> Despite these relatively modest population growth trends, the projected increase of approximately 1.1 million new residents in the Air Trade Area between 2015 and 2025 is expected to generate additional demand for airline service at the Airport.

### 3.1.2.2 Age Distribution and Education

Air travel spending in the United States varies by age group, and persons between the ages of 45 and 64 tend to spend the most.<sup>8</sup> According to data from the U.S. Department of Labor, Bureau of Labor Statistics' 2012 *Consumer Expenditure Survey*, this age group accounted for nearly half of the air travel market in the nation, spending between 23 and 31 percent more than the average on airfares.<sup>9</sup>

---

<sup>4</sup> Between 2000 and 2015, population in the Metropolitan Statistical Areas that included the cities of Los Angeles, Chicago, and New York increased at compound annual growth rates of 0.5 percent, 0.4 percent, and 0.4 percent, respectively.

<sup>5</sup> Woods & Poole Economics, Inc. uses a national economic model to project county-level socioeconomic data through 2050. The model is updated every year, and the historical data and projections used in this Report are from Woods & Poole's 2015 *Complete Economic and Demographic Data Source*.

<sup>6</sup> The Northeast region as defined here consists of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York (excluding New York City), Pennsylvania, Vermont, parts of Virginia, and Washington, D.C.

<sup>7</sup> Source: Kotkin, Joel and Mark Schill, "A Map of America's Future: Where Growth Will Be over the Next Decade," *Forbes Magazine*, September 23, 2013.

<sup>8</sup> *Who's Buying for Travel*, 10th Edition New Strategist Press 2014.

<sup>9</sup> Calculation from *Who's Buying for Travel*, based on the Bureau of Labor Statistics' 2012 *Consumer Expenditure Survey*.

Data in **Table 3-2** show that, in 2015, the percentage of the population in the 45-64 age range was lower in the Air Trade Area (26.9 percent) than in the CT-NJ-NY region (28.1 percent) and in the nation (27.6 percent). Table 3-2 also shows that, in 2015, the median age of the population was lower in the Air Trade Area (38.1 years<sup>10</sup>) than in the CT-NJ-NY region (40.6 years in Connecticut, 39.6 years in New Jersey, and 38.3 years in New York), but higher than in the nation (37.8 years).

According to *Consumer Expenditure Survey* data, persons with a college degree generate a high percentage of expenditures on airline travel. Data indicate that 72.4 percent of airfares are paid by college graduates, while 14.0 percent of airfares are paid by consumers who have had some college and 13.6 percent are paid by consumers who never attended college.<sup>11</sup> As shown in Table 3-2, 44.0 percent of the Air Trade Area's population over the age of 25 have a post-secondary degree (associate's, bachelor's, master's, or doctorate)—a higher percentage than the populations of both the CT-NJ-NY region (42.6 percent) and the nation (37.2 percent).

### 3.1.2.3 Per Capita Income and Income Distribution

Another key indicator for airline travel demand is wealth, which can be measured by assessing levels of personal income. Personal income—defined as the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for social insurance—is a composite measurement of market potential and indicates the general level of the affluence of a population. The level of personal income corresponds to an area's ability to afford air travel, as well as an area's attractiveness to business and leisure travelers (lower income areas often have weaker business ties to the rest of the nation and a less developed tourism infrastructure). It should be noted, however, that personal income is not adjusted for the cost of living in a particular area.

**Table 3-3** presents historical per capita personal income in the Air Trade Area, the CT-NJ-NY region, and the nation (in 2009 dollars) from 2010 through 2015 and projected for 2025. As shown, per capita personal income was higher in the Air Trade Area than in the CT-NJ-NY region and the nation each year. Per capita personal income between 2010 and 2015 increased at a compound annual growth rate of 1.3 percent and 1.4 percent in the Air Trade Area and CT-NJ-NY region, respectively, slower than the 1.7 percent growth rate experienced in the nation as a whole during this same period. Woods & Poole Economics, Inc., projects per capita personal income in the Air Trade Area to increase from \$58,026 in 2015 to \$67,541 in 2025. This increase represents a compound annual growth rate of 1.5 percent between 2015 and 2025, which is equal to the compound annual growth rate projected for the CT-NJ-NY region and the nation over the same period.

---

<sup>10</sup> The median age of approximately 38.0 years is for the New York-Newark-Jersey City, NY-NJ-PA MSA only, which accounts for 95.5 percent of the Air Trade Area population. For the remaining portion of the Air Trade Area, the Bridgeport-Stamford-Norwalk, CT MSA, the median age is approximately 39.9 years.

<sup>11</sup> *Who's Buying for Travel*, 10th Edition, 2014, New Strategist Publications.

**Table 3-2: Age Distribution and Educational Attainment (2015)**

	AIR TRADE AREA	CT-NJ-NY REGION	UNITED STATES
<b>AGE DISTRIBUTION</b>			
<b>Total Population</b>	21,064,715	32,382,404	321,449,214
<b>By Age Group</b>			
Under 18	22.1%	21.7%	23.0%
18 to 24 Years	9.1%	9.4%	9.7%
25 to 34 Years	14.5%	13.9%	13.7%
35 to 44 Years	13.3%	12.7%	12.6%
45 to 54 Years	14.2%	14.2%	13.4%
55 to 64 Years	12.5%	13.0%	12.7%
65 and Above	14.4%	15.1%	14.9%
Total	100.0%	100.0%	100.0%
Median Age <sup>1/</sup>	38.1	N/A	37.8
<b>EDUCATIONAL ATTAINMENT<sup>2/</sup></b>			
<b>Population 25 Years and Older</b>	14,504,173	22,303,335	216,349,438
<b>By Highest Level Achieved</b>			
Less than 9th Grade	7.4%	6.1%	5.8%
9th - 12th Grade, No Diploma	7.3%	7.2%	7.8%
High School Graduate (includes equivalency)	25.7%	27.5%	28.0%
Some College, No Degree	15.6%	16.6%	21.2%
Post-Secondary Degree			
Associate's Degree	6.6%	7.8%	7.9%
Bachelor's Degree	21.9%	20.2%	18.3%
Master's Degree or Doctorate	15.5%	14.6%	11.0%
Total <sup>3/</sup>	100.0%	100.0%	100.0%

NOTES:

- 1/ The median age of approximately 38.1 years in the Air Trade Area is for the New York-Newark-Jersey City, NY-NJ-PA MSA only, which accounts for 95.5 percent of the Air Trade Area population. For the remaining portion of the Air Trade Area, the Bridgeport-Stamford-Norwalk, CT MSA, the median age is approximately 39.9 years. Median age data for the combined Connecticut-New Jersey-New York region are not available; however, the median age in 2014 in Connecticut was approximately 40.6 years, compared to approximately 39.6 years in New Jersey and approximately 38.3 years in New York.
- 2/ Percentages for educational attainment were taken from the 2014 American Community Survey and are 5-year estimates.
- 3/ Total percentages may not add up to 100.0 percent due to rounding.

SOURCES: Woods & Poole Economics, Inc., *2015 Complete Economic and Demographic Data Source (CEDDS)*, April 2015 (Age); U.S. Department of Commerce, Bureau of the Census, *2014 American Community Survey, 5-Year Estimates*, December 2015 (Education).

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table 3-3: Per Capita Personal Income (2010-2025)**

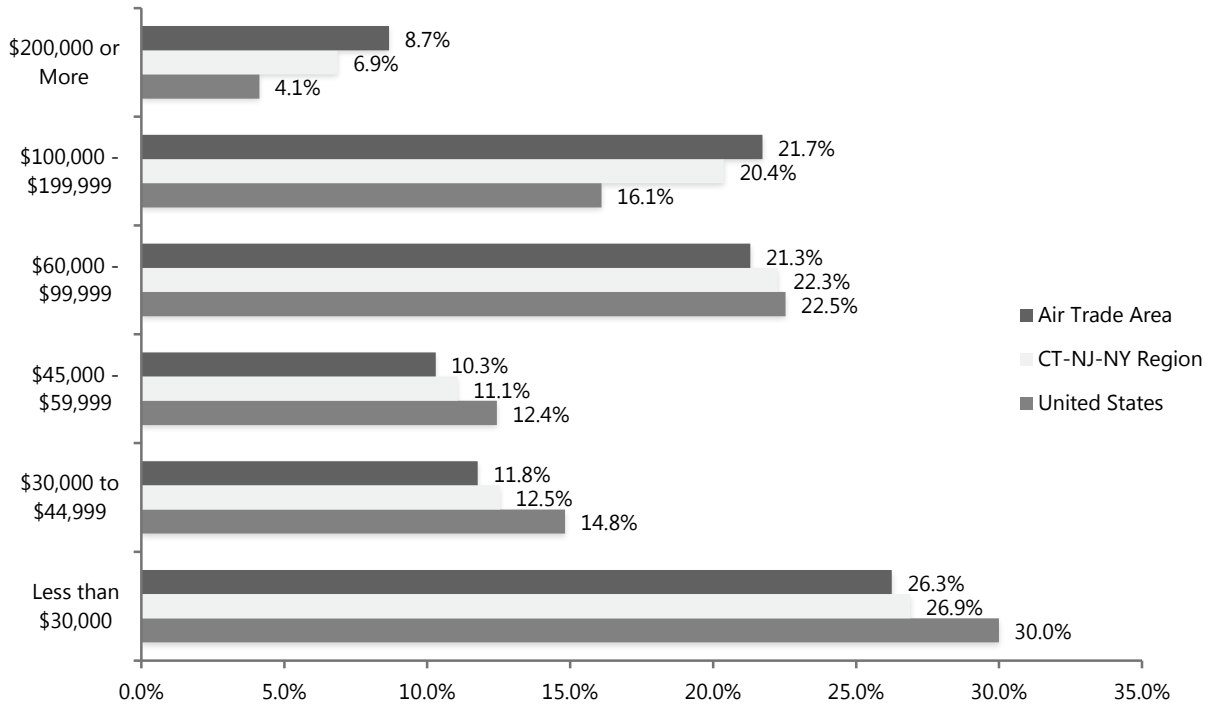
PER CAPITA PERSONAL INCOME (IN 2009 DOLLARS)			
YEAR	AIR TRADE AREA	CT-NJ-NY REGION	UNITED STATES
<b>Historical</b>			
2010	\$54,277	\$49,770	\$39,492
2011	\$55,548	\$50,844	\$40,646
2012	\$56,532	\$51,872	\$41,674
2013	\$56,152	\$51,625	\$41,707
2014	\$57,103	\$52,495	\$42,365
2015	\$58,026	\$53,357	\$43,021
2025	\$67,541	\$62,215	\$49,744
<b>Annual Per Capita Personal Income Growth</b>			
2010-2015	1.3%	1.4%	1.7%
2015-2025 (Projected)	1.5%	1.5%	1.5%

SOURCE: Woods & Poole Economics, Inc., 2015 Complete Economic and Demographic Data Source (CEDDS), April 2015.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

An additional indicator of the market potential for airline travel demand is the percentage of households in higher income categories. An examination of this indicator is important because, as income increases, airline travel becomes more affordable and, therefore, is generally used more frequently. According to the U.S. Department of Labor, Bureau of Labor Statistics' 2012 *Consumer Expenditure Survey*, American households with incomes of \$100,000 or more were responsible for the majority (51.5 percent) of total airfare expenditures.<sup>12</sup> **Exhibit 3-2** presents the percentages of households in various per capita personal income categories (as expressed in 2009 dollars) for the Air Trade Area, the CT-NJ-NY region, and the United States in 2015. In the Air Trade Area, 30.4 percent of all households had per capita personal incomes of \$100,000 or more, greater than the 27.3 percent of CT-NJ-NY region households and 20.2 percent of nationwide households in this category.

<sup>12</sup> Calculation from *Who's Buying for Travel*, based on the U.S. Department of Labor, Bureau of Labor Statistics' 2012 *Consumer Expenditure Survey*.

**Exhibit 3-2: Household Income Distribution (2015) (in 2009 dollars)**



NOTE:

Percentages might not add up to 100.0 percent due to rounding.

SOURCE: Woods & Poole Economics, Inc., 2015 *Complete Economic and Demographic Data Source* (CEDDS), April 2015.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

### 3.1.3 ECONOMIC FACTORS

#### 3.1.3.1 Per Capita Gross Domestic/Regional Product

GDP for the United States as a whole, and its state and county equivalent, Gross Regional Product (GRP) are measures of the market value of all final goods and services produced within a particular area for a specific period. GDP and GRP are among the broadest measures of the economic health of a particular area and, consequently, the area’s potential air travel demand.

**Table 3-4** presents historical GRP and GDP for the Air Trade Area, the CT-NJ-NY region, and the United States for 2010 through 2015, as expressed in 2009 dollars, and projected GRP and GDP for 2025. As shown, the GRP for the Air Trade Area increased at a compound annual growth rate of 1.6 percent, from approximately \$1.37 trillion in 2010 to approximately \$1.48 trillion in 2015. In comparison, the GRP for the CT-NJ-NY region increased at a 1.4 percent compound annual growth rate and the nation’s equivalent measure increased at a 2.2 percent compound annual growth rate.

**Table 3-4: Per Capita Gross Regional/Domestic Product**

<b>GROSS DOMESTIC / REGIONAL PRODUCT (IN MILLIONS OF 2009 DOLLARS)</b>			
<b>YEAR</b>	<b>AIR TRADE AREA</b>	<b>CT-NJ-NY REGION</b>	<b>UNITED STATES</b>
<b>Historical</b>			
2010	\$1,366,720	\$1,898,142	\$14,620,949
2011	\$1,368,068	\$1,892,163	\$14,816,834
2012	\$1,401,661	\$1,935,146	\$15,218,600
2013	\$1,417,444	\$1,954,365	\$15,514,792
2014	\$1,448,354	\$1,996,204	\$15,892,855
2015	\$1,479,367	\$2,038,103	\$16,261,994
2025	\$1,803,525	\$2,472,167	\$20,171,743
<b>Annual Per Capita GDP/GRP Growth</b>			
2010-2015	1.6%	1.4%	2.2%
2015-2025 (Projected)	2.0%	1.9%	2.2%

SOURCE: Woods & Poole Economics, Inc., 2015 Complete Economic and Demographic Data Source (CEDDS), April 2015.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

Woods & Poole Economics, Inc. projects GRP for the Air Trade Area to increase from \$1.48 trillion in 2015 to \$1.80 trillion in 2025. This increase represents a compound annual growth rate of 2.0 percent, which is higher than the compound annual growth rate projected for the CT-NJ-NY region over the same period, but is lower than the 2.2 percent compound annual growth rate projected for the nation as a whole.

### 3.1.3.2 Employment Trends

Employment growth is an additional factor that typically drives air travel demand. Recent employment trends for the Air Trade Area, the CT-NJ-NY region, and the United States are presented on **Exhibit 3-3**. As shown, the Air Trade Area’s civilian labor force, defined as the civilian population over the age of 16 that is available for work, increased from approximately 9.9 million workers in 2005 to approximately 10.5 million workers in 2015. This increase represents a compound annual growth rate of 0.6 percent in the Air Trade Area’s labor force during this period, compared to an approximately 0.3 percent increase for the labor force in the CT-NJ-NY region, and an approximately 0.5 percent increase for the labor force in the United States.

As also shown on Exhibit 3-3, annual unemployment rates for both the Air Trade Area and the CT-NJ-NY region were lower than the annual unemployment rates for the nation each year between 2005 and 2011 (with the exception of 2006, when the CT-NJ-NY region’s unemployment rate equaled the nation’s unemployment rate). However beginning in 2012 and continuing through 2015, unemployment rates for the Air Trade Area and the CT-NJ-NY region exceeded national unemployment rates. In 2015, the Air Trade Area’s unemployment rate was 5.4 percent, compared to a 5.4 percent unemployment rate and 5.3 percent unemployment rate for the CT-NJ-NY region and the nation, respectively.

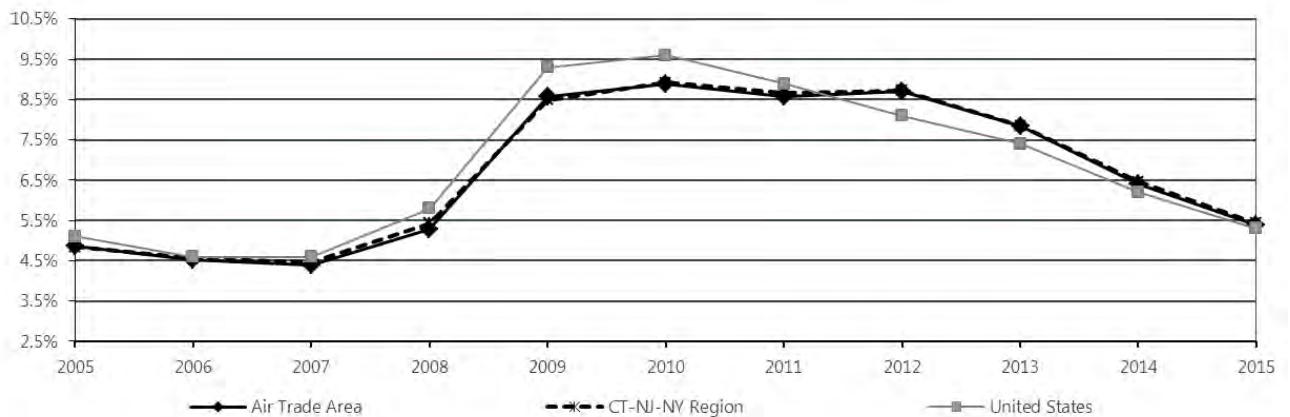


**Exhibit 3-3: Civilian Labor Force and Unemployment Rate (2005-2015)**

CIVILIAN LABOR FORCE				UNEMPLOYMENT RATES			
YEAR	AIR TRADE AREA	CT-NJ-NY REGION	UNITED STATES	YEAR	AIR TRADE AREA	CT-NJ-NY REGION	UNITED STATES
2005	9,947,796	15,649,421	149,320,000	2005	4.9%	4.8%	5.1%
2006	10,037,131	15,782,679	151,428,000	2006	4.5%	4.6%	4.6%
2007	10,092,515	15,820,062	153,124,000	2007	4.4%	4.5%	4.6%
2008	10,241,472	16,050,659	154,287,000	2008	5.3%	5.4%	5.8%
2009	10,274,277	16,089,207	154,142,000	2009	8.6%	8.5%	9.3%
2010	10,277,130	16,062,404	153,889,000	2010	8.9%	8.9%	9.6%
2011	10,276,540	15,997,408	153,617,000	2011	8.6%	8.7%	8.9%
2012	10,383,209	16,091,265	154,975,000	2012	8.7%	8.7%	8.1%
2013	10,388,371	16,036,934	155,389,000	2013	7.8%	7.8%	7.4%
2014	10,401,070	15,995,302	155,922,000	2014	6.4%	6.5%	6.2%
2015 <sup>1/</sup>	10,509,399	16,111,099	157,130,000	2015 <sup>1/</sup>	5.4%	5.4%	5.3%

Annual Labor Force Growth			
2005-2015	0.6%	0.3%	0.5%



NOTE:

<sup>1/</sup> The Air Trade Area's December 2015 employment data was designated as preliminary by the Bureau of Labor Statistics at the time of this report, therefore the annualized employment data for the Air Trade Area is subject to revision.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

### 3.1.3.3 Business Climate

The New York metropolitan area has historically been an economic leader of the nation and the world. In 2014, the New York metropolitan area had the second highest GRP of all metropolitan areas worldwide (second to Tokyo) and the tenth highest GRP per capita.<sup>13</sup> New York City is the financial capital of the world<sup>14</sup> and, as a major center of world commerce, the City continually attracts significant domestic and foreign business (both new and existing, across all industries), people, and investment.

According to The Brookings Institution's July 2015 *Metro Monitor* report, the New York metropolitan area was less affected than most major metropolitan areas by the 2007-2009 recession. Of the 100 largest metropolitan areas, the Air Trade Area ranked 37th in best overall economic performance during the recession, with jobs, unemployment, output (gross product), and house prices all taken into consideration. New York has experienced a slightly slower overall economic recovery than average, ranking 61<sup>st</sup> in overall performance, according to the same *Metro Monitor* report.

New York continues to prove capable of attracting national and global businesses. Employers remain attracted to the Air Trade Area and its educated labor force. In 2015, the *A.T. Kearney Global Cities Index* rated New York #1 out of 125 cities worldwide in having the capability to attract and retain global capital and #4 worldwide for future performance. New York's business activity and human capital contributed to its top ranking, with the City leading the world in such metrics as top global services firms, capital markets, foreign-born population, news agency bureaus, and local institutions with global reach.

The Air Trade Area also has a favorable climate for the growth of businesses that are headquartered abroad, stimulating potential air travel demand in the Air Trade Area. A joint project of The Brookings Institution and JPMorgan Chase in 2014 resulted in the ranking of the Air Trade Area as the top metropolitan area in the nation for jobs in foreign-owned establishments, with approximately 490,000 such jobs in 2011. Foreign-owned establishments and foreign direct investment contribute to the economy of the Air Trade Area and facilitate the spread of global knowledge, technologies, and ideas critical to innovation and competitiveness in the economy. Foreign direct investment is critical in the United States, accounting for 12.0 percent of productivity growth, 15.2 percent of capital investment, 18.9 percent of corporate research and development, and 20.3 percent of goods exported.<sup>15</sup>

The region is also attractive to new businesses and has a growing startup community. The New York metropolitan area ranked eleventh overall in the Kauffman Foundation's 2015 *Kauffman Index: Startup Activity*, a ranking of entrepreneurship in the 50 largest metropolitan areas in the nation and, according to the latest *PwC/NVCA MoneyTree Report*, a quarterly study of venture capital investment activity in the United States

---

<sup>13</sup> The Brookings Institution's analysis of data is based on information from Oxford Economics, Moody's Analytics, and the U.S. Department of Commerce, Bureau of the Census. Gross regional product comparison is on a purchasing power parity basis. Source: Brookings Institution, *2014 Global Metro Monitor Map*, <http://www.brookings.edu/research/reports2/2015/01/22-global-metro-monitor>, accessed October 2015.

<sup>14</sup> Moody's Analytics, *U.S. Precip Metro Report, Northeast*, May 2015.

<sup>15</sup> Global Cities Initiative, a Joint Project of The Brookings Institution and JPMorgan Chase, *FDI in New York, NY*, 2014.

based on data from Thomson Reuters, the New York metropolitan area was responsible for almost 12.4 percent of the total venture capital investment in 2015, with the closing of 512 deals worth \$7.3 billion during that period.

Some aspects of the current business climate in New York could delay economic growth. Weaknesses in the City's economy include high business costs, high housing costs, high tax burdens on residents, and elevated income inequality.<sup>16</sup> As the financial capital of the United States, New York City's economic prosperity has historically been closely tied to the success of the financial markets and business interests. The Partnership for NYC (a nonprofit membership organization whose members include Chief Executive Officers from major corporate employers in New York City, with a mission of engaging the business community in advancing the City's economy and maintain the City's position as the center of world commerce, finance, and innovation) cites high costs, high taxes, aging infrastructure, and a hostile political and regulatory climate as concerns that need to be addressed by New York City's leadership in order for the City to retain its high level of financial services institutions in the future.

#### 3.1.3.4 Major Employers

A list of the 25 largest employers in the New York area is presented in **Table 3-5**.<sup>17</sup> In addition to providing an important source of local employment, private sector employers, which account for approximately 42 percent of the employers listed in Table 3-5, depend on airline passenger service for the continued health and expansion of their enterprises.

#### 3.1.3.5 Fortune 500 Headquarters and Other Institutional Headquarters

Each year *Fortune* magazine ranks the top 500 U.S. public companies in terms of annual revenue and, historically, the New York City metropolitan area has had the highest concentration of Fortune 500 company headquarters in the nation. In 2015, 82 Fortune 500 company headquarters were located in the Air Trade Area, including General Electric<sup>18</sup> (ranked 8<sup>th</sup> among the Fortune 500), Verizon (ranked 15<sup>th</sup>), JPMorgan Chase (ranked 21<sup>st</sup>), IBM (ranked 24<sup>th</sup>), Citigroup (ranked 28<sup>th</sup>), Johnson & Johnson (ranked 37<sup>th</sup>), and MetLife (ranked 39<sup>th</sup>). A listing of the Fortune 500 companies headquartered in the Air Trade Area who rank in the top 250 of the 2015 Fortune 500 is provided in **Table 3-6**. Many of the major employers listed in Table 3-5 are Fortune 500 companies headquartered in the Air Trade Area, and are therefore listed in Table 3-6 as well.

---

<sup>16</sup> Moody's Analytics, *U.S. Precis Metro Report, Northeast*, May 2015.

<sup>17</sup> The list in Table 3-5 includes employers in New York City (Bronx, Kings, New York, Queens, and Richmond Counties) as well as in Nassau, Suffolk, and Westchester Counties in New York State and Bergen, Essex, Hudson, and Union Counties in New Jersey. These 12 counties accounted for 78 percent of total employment in the Air Trade Area in 2014.

<sup>18</sup> In January 2016, General Electric announced it would be moving its corporate headquarters from Fairfield, Connecticut to Boston, Massachusetts. The move is expected to begin in 2016 and to be completed by 2018.

**Table 3-5: Major Employers in the New York Area (2014)**

<b>RANKING</b>	<b>EMPLOYER</b>	<b>NEW YORK AREA EMPLOYERS<sup>1/</sup></b>	<b>INDUSTRY</b>
1	City of New York	151,678	Government
2	New York City Department of Education	119,618	Government
3	United States Government	80,900	Government
4	State of New York	69,926	Government
5	Metropolitan Transportation Authority	67,381	Government
6	North Shore-Long Island Jewish Health and Hospitals Corp.	48,650	Health Care
7	JPMorgan Chase & Co.	37,363	Commercial Banking
8	New York City Health and Hospitals Corp.	35,044	Health Care
9	Mount Sinai Health System	32,056	Health Care
10	Macy's Inc.	31,200	Retail
11	Citigroup Inc.	24,991	Commercial Banking
12	New York-Presbyterian Hospital	21,802	Health Care
13	Bank of America	19,500	Commercial Banking
14	Verizon Communications Inc.	18,650	Telecommunications
15	Montefiore Medical Center	18,030	Health Care
16	New York University Langone Medical Center	17,879	Health Care
17	New York University	16,021	Higher Education
18	Columbia University	15,601	Higher Education
19	Consolidated Edison Inc.	13,280	Utilities
20	Memorial Sloan Kettering Cancer Center	12,662	Health Care
21	Morgan Stanley	12,500	Commercial Banking
22	Bank of New York Mellon Corp.	9,500	Commercial Banking
23	American Airlines	9,280	Airline
24	Red Apple Group Inc.	8,500	Conglomerate
25	United Parcel Service Inc.	8,145	Mail, Package, and Freight Delivery

NOTE:

1/ Full-time and full-time equivalent employees as of December 31, 2013, in the New York area, which includes New York City (Bronx, Kings, New York, Queens, and Richmond Counties) and Nassau, Suffolk, and Westchester Counties in New York State and Bergen, Essex, Hudson, and Union Counties in New Jersey.

SOURCE: Crain's *New York Business Book of Lists 2015*, December 22, 2014.

PREPARED BY: Ricondo & Associates, Inc., November 2015.

**Table 3-6: Fortune 500 Companies Headquartered in the Air Trade Area (2015)**

	COMPANY	FORTUNE 500 RANK	REVENUE (2014) (\$ millions)	LOCATION	INDUSTRY
1	General Electric <sup>1/</sup>	8	\$148,321	Fairfield, CT	Diversified Financials
2	Verizon	15	\$127,079	New York, NY	Telecommunications
3	JPMorgan Chase	21	\$102,102	New York, NY	Commercial Banks
4	IBM	24	\$94,128	Armonk, NY	Information Technology Services
5	Citigroup	28	\$90,646	New York, NY	Commercial Banks
6	Johnson & Johnson	37	\$74,331	New Brunswick, NJ	Pharmaceuticals
7	MetLife	39	\$73,316	New York, NY	Insurance: Life, Health (Stock)
8	PepsiCo	44	\$66,683	Purchase, NY	Food Consumer Products
9	AIG	46	\$64,406	New York, NY	Insurance: Property and Casualty (Stock)
10	Prudential Financial	55	\$54,123	Newark, NJ	Insurance: Life, Health (Stock)
11	Pfizer	56	\$49,605	New York, NY	Pharmaceuticals
12	Merck	71	\$42,237	Kenilworth, NJ	Pharmaceuticals
13	Honeywell International	74	\$40,306	Morris Township, NJ	Electronics, Electrical Equipment
14	Goldman Sachs Group	76	\$40,085	New York, NY	Commercial Banks
15	New York Life Insurance	80	\$38,680	New York, NY	Insurance: Life, Health (Mutual)
16	Morgan Stanley	82	\$37,953	New York, NY	Commercial Banks
17	American Express	88	\$35,999	New York, NY	Commercial Banks
18	TIAA-CREF	92	\$34,230	New York, NY	Insurance: Life, Health (Mutual)
19	INTL FCSStone	93	\$34,063	New York, NY	Diversified Financials
20	Twenty-First Century Fox	97	\$31,867	New York, NY	Entertainment
21	Philip Morris International	102	\$29,767	New York, NY	Tobacco
22	Time Warner	104	\$28,774	New York, NY	Entertainment
23	Travelers Cos.	112	\$27,162	New York, NY	Insurance: Property and Casualty (Stock)
24	Alcoa	125	\$23,906	New York, NY	Metals
25	Time Warner Cable	130	\$22,812	New York, NY	Telecommunications
26	Hess	141	\$21,015	New York, NY	Petroleum Refining
27	Xerox	143	\$20,905	Norwalk, CT	Information Technology
28	PBF Energy	149	\$19,828	Parsippany, NJ	Petroleum Refining
29	Icahn Enterprises	155	\$19,157	New York, NY	Petroleum Refining
30	Colgate-Palmolive	179	\$17,277	New York, NY	Household and Personal Products
31	Bank of New York Mellon Corp.	189	\$16,386	New York, NY	Commercial Banks
32	Bristol-Myers Squibb	195	\$15,879	New York, NY	Pharmaceuticals
33	Omnicom Group	200	\$15,318	New York, NY	Advertising, Marketing
34	Loews	211	\$14,572	New York, NY	Insurance: Property and Casualty (Stock)
35	CBS	212	\$14,483	New York, NY	Entertainment
36	Chubb	215	\$14,098	Warren, NJ	Insurance: Property and Casualty (Stock)
37	Viacom	222	\$13,783	New York, NY	Entertainment
38	Marsh & McLennan	235	\$12,951	New York, NY	Diversified Financials
39	Consolidated Edison	236	\$12,919	New York, NY	Utilities: Gas and Electric
40	Leucadia National	244	\$12,407	New York, NY	Food Production
41	Toys "R" Us	245	\$12,361	Wayne, NJ	Specialty Retailers: Other
42	Praxair	249	\$12,273	Danbury, CT	Chemicals
43-82	40 Additional Companies in Air Trade Area	Between 251 and 500	\$328,747		

NOTES:

Based on 2014 revenues.

1/ In January 2016, General Electric announced it would be moving its corporate headquarters from Fairfield, Connecticut to Boston, Massachusetts. The move is expected to begin in 2016 and to be completed by 2018.

SOURCE: "2015 Fortune 500," *Fortune*, June 17, 2015.

PREPARED BY: Ricondo & Associates, Inc., December 2015.

In addition to a high concentration of Fortune 500 company headquarters, the Air Trade Area also has a high concentration of national and international headquarters of professional associations, foundations, charities, and governmental institutions. Institutions like the global headquarters of the United Nations in New York City affect the Air Trade Area's economy and demand for air travel, as national and international business travelers visit the Air Trade Area for meetings, conferences, and other professional activities.

### 3.1.3.6 Major Industry Sectors

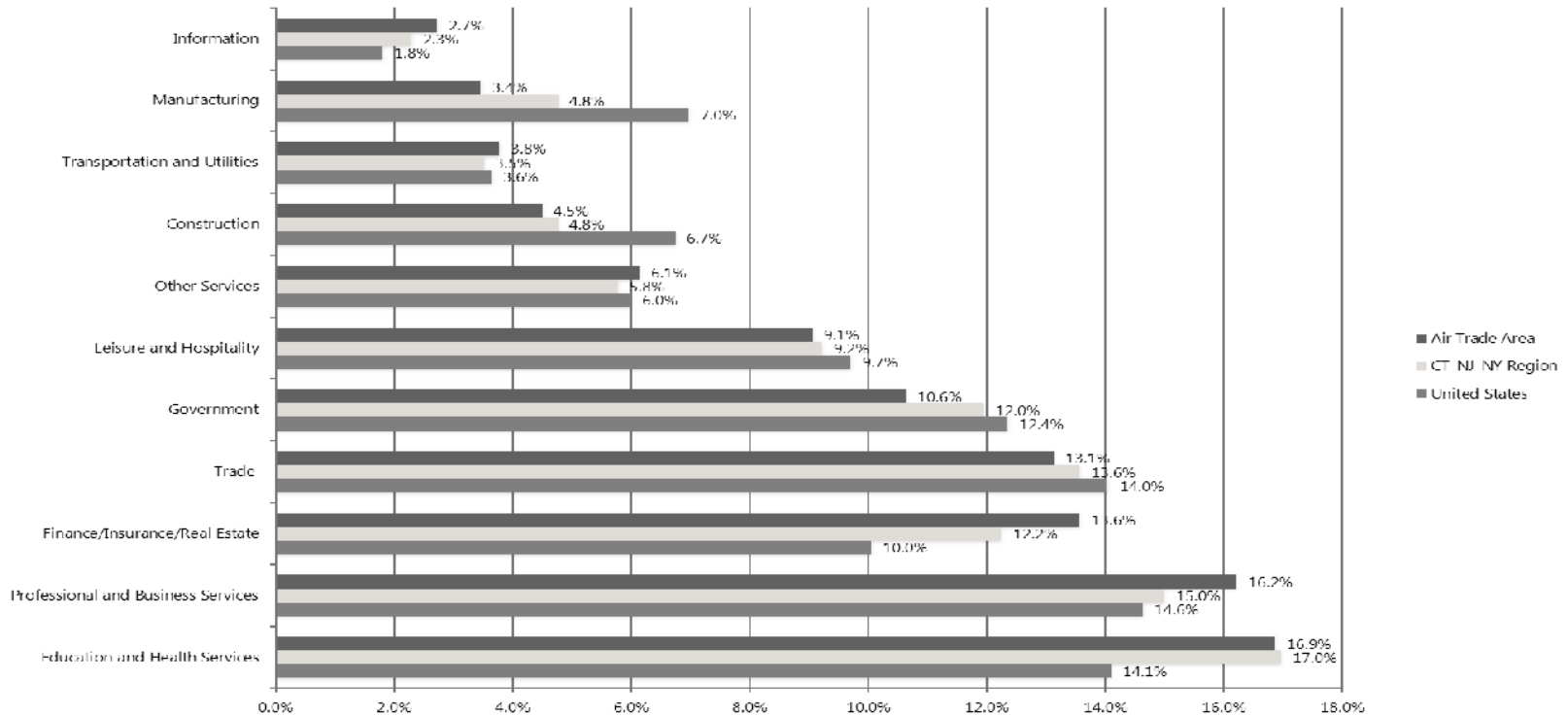
A comparison of nonagricultural employment by major industry sector in the Air Trade Area and in the nation is presented on **Exhibit 3-4**. This exhibit presents a comparison of employment by industry sector in the 26-county Air Trade Area with data for the CT-NJ-NY region and the United States in 2015.

In 2015, the percentage of nonagricultural employment in the financial activities sector (which includes finance, insurance, and real estate) in the Air Trade Area exceeded the national percentage in the sector by 3.6 percentage points, as depicted on Exhibit 3-4. The percentage of Air Trade Area employment in the professional and business services, education and health services, and information sectors also exceeded national averages in those sectors. In contrast, there was significantly less manufacturing employment concentration in the Air Trade Area than in the United States, and government and construction employment is also less prevalent in the Air Trade Area than in the nation. The most notable differences in employment by industry sector between the Air Trade Area and the CT-NJ-NY region are that Air Trade Area employment is less concentrated than CT-NJ-NY region employment in government and manufacturing, but more concentrated in financial activities and professional and business services.

### 3.1.3.7 Air Trade Area Visitors and Tourism Industry

According to NYC & Company, the official marketing, tourism, and partnership organization for New York City, 56.4 million people visited the Air Trade Area in 2014, 12.2 million of which were international visitors, making the City the most popular tourist destination in the United States. These visitors generated \$41.4 billion in total visitor expenditures in 2014. The total number of visitors in 2014 increased approximately 4 percent compared with the number of visitors in 2013, and the number has increased at a compound annual growth rate of approximately 3 percent since 2005.

**Exhibit 3-4: Nonagricultural Employment Trends by Major Industry Sector (2015)**



PROJECTED	AIR TRADE AREA	CT-NJ-NY REGION	UNITED STATES
2015 Jobs <sup>1/</sup>	12,753,007	19,195,850	183,345,172
Projected 2025 Jobs <sup>1/</sup>	14,303,974	21,428,156	210,967,567
CAGR 2015-2025 <sup>2/</sup>	1.2%	1.1%	1.4%

NOTES:

1/ Nonagricultural employment only. Construction employment includes mining and forestry industries.

2/ CAGR = Compound Annual Growth Rate.

SOURCE: Woods & Poole Economics, Inc., 2015 Complete Economic and Demographic Data Source (CEDDS), April 2015.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

With 9.7 million overseas visitors in 2014, New York City was the most popular destination in the nation for overseas visitors, with twice as many overseas visitors as the second-most popular destination, Miami.<sup>19,20</sup> New York City is also a leading destination for international travelers worldwide. **Table 3-7** shows the top 20 cities worldwide for international visitors in 2014 (latest data available). As shown, New York City is the ninth most visited city in the world and has the highest international visitor rates of all U.S. cities. While international origin and destination (O&D) flights heading directly to Air Trade Area airports predominantly arrive at and depart from JFK and Newark Liberty because LaGuardia mostly serves domestic flights, international tourists spend nearly five times as much as their domestic counterparts, and the economic impact of international passengers on the Air Trade Area is significant.<sup>21</sup> International tourists also use LaGuardia to fly domestically once they arrive in the United States.

**Table 3-7: Top 20 Destination Cities Worldwide (2014)**

RANKING	CITY	COUNTRY	INTERNATIONAL ARRIVALS (THOUSANDS)
1	Hong Kong	Hong Kong, China	27,770
2	London	United Kingdom	17,384
3	Singapore	Singapore	17,086
4	Bangkok	Thailand	16,245
5	Paris	France	14,982
6	Macau	Macau	14,967
7	Dubai	United Arab Emirates	13,200
8	Shenzhen	China	13,121
9	New York City	United States of America	12,230
10	Istanbul	Turkey	11,871
11	Kuala Lumpur	Malaysia	11,630
12	Antalya	Turkey	11,499
13	Seoul	South Korea	9,390
14	Rome	Italy	8,781
15	Taipei	Taiwan	8,615
16	Guangzhou	China	8,199
17	Phuket	Thailand	8,115
18	Miami	United States of America	7,260
19	Pattaya	Thailand	6,427
20	Shanghai	China	6,399

SOURCE: Euromonitor International, *Top City Destinations Ranking* (2016 edition).  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

<sup>19</sup> The national overseas visitor statistics exclude visitors from Canada and Mexico.

<sup>20</sup> Source: U.S. Department of Commerce, International Trade Administration, National Travel and Tourism Office, June 2015.

<sup>21</sup> Source: U.S. Travel Association, *Travel Forecast*, updated July 2015.



Conventions also draw visitors to the Air Trade Area. The Air Trade Area's main convention facility is the Jacob K. Javits Convention Center, one of the largest event venues in the United States. The Javits Center has the ability to provide up to 11 halls in 814,400 total square feet of exhibit space. In January 2016, New York State Governor Andrew Cuomo announced plans for a \$1 billion expansion of the Javits Center, creating more than one million square feet of event space and New York City's largest ballroom.<sup>22</sup> New York City's approximately 102,000 hotel rooms and their associated meeting facilities offer additional convention and meeting opportunities in the Air Trade Area. A notable convention complex is NY 5000, which offers 5,000 guest rooms (at Sheraton and Hilton Hotels), 100 meeting rooms, and a total of 225,000 square feet of meeting space—all in one square block in midtown Manhattan. In 2014, the Air Trade Area's hotel occupancy was 89 percent, and \$541.3 million in hotel tax revenue was generated.<sup>23</sup>

The Air Trade Area has a wide range of recreational and cultural resources that contribute to the quality of life in the area and help attract visitors from around the globe. New York City offers many outdoor and indoor activities and attractions, including more than 100 museums, 40 Broadway theaters, art galleries, and parks. Specific attractions include Times Square, Central Park, the Metropolitan Museum of Art, the Solomon R. Guggenheim Museum, the Empire State Building, the Statue of Liberty, the headquarters of the United Nations, Coney Island, the Brooklyn Bridge, and the Staten Island Ferry. Shopping also attracts many tourists to the Air Trade Area.

Numerous professional sports teams are based in the Air Trade Area, including the New York Mets and New York Yankees (baseball); the Brooklyn Nets, New York Knicks, and New York Liberty (basketball); the New York Giants and New York Jets (football); the New Jersey Devils, New York Islanders, and New York Rangers (hockey); and the New York Red Bulls and New York City Football Club (soccer). Notable annual sporting events held in the Air Trade Area include the U.S. Open tennis tournament (held over a 2-week period in August and September) and the New York City Marathon (held in November).

### 3.1.3.8 Short-Term Economic Outlook

The U.S. economy continues to steadily expand, although challenges remain. The U.S. Department of Commerce, Bureau of Economic Analysis estimate (released March 2016) of real GDP growth in the fourth quarter of 2015 was 1.4 percent, which follows real GDP annual growth rates of 3.9 percent and 2.0 percent in the second and third quarters, respectively.<sup>24</sup> The Bureau of Economic Analysis reports the deceleration in growth between the third and fourth quarters of 2015 primarily reflected a downturn in nonresidential fixed investment and in state and local government spending, and a downturn in exports that were partly offset by a smaller decrease in private inventory investment, a downturn in imports, and an acceleration in federal government spending.

---

<sup>22</sup> Source: Bagli, Charles, "Cuomo Announces \$1 Billion Expansion for Javits Center," *New York Times*, January 7, 2016, [http://www.nytimes.com/2016/01/08/nyregion/cuomo-announces-1-billion-expansion-for-javits-center.html?\\_r=0](http://www.nytimes.com/2016/01/08/nyregion/cuomo-announces-1-billion-expansion-for-javits-center.html?_r=0).

<sup>23</sup> Sources: Hotel occupancy as reported by NYC & Company; 2014 hotel room occupancy tax revenue from City of New York, *Comprehensive Annual Financial Report of the Comptroller*, for the fiscal year ended June 30, 2014.

<sup>24</sup> U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product: Fourth Quarter and Annual 2015 (Third Estimate) News Release, March 25, 2016.

The most recently published consensus forecast (March 2016) by the National Association for Business Economics (NABE) indicates that NABE panelists expected the annual average growth rate for 2016 at 2.2 percent.<sup>25</sup> Panelists expect median 2017 outlook at 2.4 percent annual average growth.

Annual payroll employment growth totaled 2.7 million in 2015, compared with 3.1 million in 2014.<sup>26</sup> The median forecast from the NABE for nonfarm employment growth is over 200,000 jobs per month through the end of 2016. For comparison, The New York Independent Budget Office estimates New York City non-farm employment growth of 1.8 percent in 2016 and 1.5 percent in 2017.<sup>27</sup> The NABE consensus forecast indicates that the national unemployment rate will decrease to an annual average of 4.8 percent in 2016.

### 3.1.3.9 Long-Term Economic Assumptions Considered in Validating the Enplaned Passenger Forecasts

**Table 3-8** presents 2015 and 2025 projections of demographic and economic factors considered in developing the air traffic activity forecasts, as well as the compound annual growth rate for each independent variable between 2015 and 2025. While the Air Trade Area's projected population growth is modest compared to the nation's projected population growth during this period, per capita growth in GDP and personal income in the Air Trade Area either meets or exceeds per capita economic growth in the nation, which does not suggest a significant economic slowdown in the Air Trade Area in the future that would lead to economic weakness or negatively affect air traffic activity. As stated above, the demand for air transportation at an airport is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area.

The projected growth in the economic indicators shown in Table 3-8 support the underlying assumptions that drive the airline activity forecasts, although the data were not used as direct input to forecast development, as discussed in Section 3.6 of this Report.

---

<sup>25</sup> National Association for Business Economics, NABE Outlook, March 2016 Summary.

<sup>26</sup> U.S. Department of Labor, Bureau of Labor Statistics, *The Employment Situation - December 2015*, <http://www.bls.gov/news.release/pdf/empisit.pdf> (accessed January 2016).

<sup>27</sup> New York City Independent Budget Office, *Fiscal Outlook*, December 2015.

**Table 3-8: Projected Economic Variables Used in the Passenger Demand Forecasts**

VARIABLE <sup>1/</sup>	2015	2025	CAGR 2015-2025 <sup>2/</sup>
Air Trade Area Population	21,064,715	22,115,540	0.5%
United States Population	321,449,214	352,280,991	0.9%
Air Trade Area Total Employment (Jobs)	12,753,007	14,303,974	1.2%
United States Total Employment (Jobs)	183,345,172	210,967,567	1.4%
Air Trade Area Total Personal Income (\$ million)	\$1,222,297	\$1,493,712	2.0%
United States Total Personal Income (\$ million)	\$13,829,067	\$17,523,866	2.4%
Air Trade Area per Capita Personal Income	\$58,026	\$67,541	1.5%
United States per Capita Personal Income	\$43,021	\$49,744	1.5%
Air Trade Area Gross Regional Product (\$ million)	\$1,479,367	\$1,803,525	2.0%
United States Gross Domestic Product (\$ million)	\$16,261,994	\$20,171,743	2.2%
Air Trade Area per Capita Gross Regional Product	\$70,230	\$81,550	1.5%
United States per Capita Gross Domestic Product	\$50,590	\$57,260	1.2%

NOTES:

1/ Dollar amounts are in 2009 dollars.

2/ CAGR = Compound Annual Growth Rate

SOURCE: Woods & Poole Economics, Inc., 2015 Complete Economic and Demographic Data Source (CEDDS), April 2015.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

## 3.2 Local and National Perspective of the Airport

Based on U.S. Department of Transportation (DOT) DB1B Survey data, the New York City market<sup>28</sup> was ranked first in the nation in terms of domestic O&D passengers in calendar year 2014, ahead of the Los Angeles<sup>29</sup>, San Francisco<sup>30</sup>, and Chicago<sup>31</sup> markets. In 2014, LaGuardia accounted for 23.0 percent of total New York City area<sup>32</sup> airline passengers and 32.6 percent of New York City area domestic airline passengers.

**Table 3-9** presents the rankings of activity for the top 25 U.S. airports in calendar year 2014, the latest year for which data are available. In terms of passengers, the Airport was the 20<sup>th</sup> busiest nationally in 2014, serving approximately 27.0 million enplaned and deplaned passengers, or approximately 74,000 average daily

<sup>28</sup> Includes John F. Kennedy International, Newark Liberty International, LaGuardia, Stewart International, Westchester County, and Long Island MacArthur Airports.

<sup>29</sup> Includes Los Angeles International, John Wayne, LA/Ontario International, Bob Hope, and Long Beach Airports.

<sup>30</sup> Includes San Francisco, Metropolitan Oakland, and Mineta San Jose International Airports.

<sup>31</sup> Includes Chicago O'Hare and Chicago Midway International Airports.

<sup>32</sup> References to New York City area activity is consistent with the activity used in the Oliver Wyman Report and may differ from the definition of the New York metropolitan area or ATA.

passengers, in 2014. The number of passengers at the Airport in 2014 increased from approximately 26.7 million passengers, or approximately 73,000 average daily passengers, in 2013. The Airport ranked 18th nationally in number of total aircraft operations in 2014, with 360,834 takeoffs and landings.

**Table 3-9: Ranking of Activity at the Top 25 United States Airports**

(12 Months Ended December 2014)

RANK	RANKING BY TOTAL PASSENGERS		RANKING BY AIRCRAFT OPERATIONS	
	AIRPORT LOCATION (CODE)	TOTAL PASSENGERS	AIRPORT LOCATIONS (CODE)	TOTAL OPERATIONS
1	Atlanta, GA (ATL)	96,178,899	Chicago, IL (ORD)	881,933
2	Los Angeles, CA (LAX)	70,663,265	Atlanta, GA (ATL)	868,359
3	Chicago, IL (ORD)	69,999,010	Los Angeles, CA (LAX)	708,674
4	Dallas-Fort Worth, TX (DFW)	63,554,402	Dallas-Fort Worth, TX (DFW)	679,820
5	Denver, CO (DEN)	53,472,514	Denver, CO (DEN)	565,525
6	New York, NY (JFK)	53,254,533	Charlotte, NC (CLT)	545,178
7	San Francisco, CA (SFO)	47,114,631	Las Vegas, NV (LAS)	522,399
8	Charlotte, NC (CLT)	44,279,504	Houston, TX (IAH)	499,802
9	Las Vegas, NV (LAS)	42,869,517	San Francisco, CA (SFO)	431,633
10	Phoenix, AZ (PHX)	42,134,662	Phoenix, AZ (PHX)	430,461
11	Houston, TX (IAH)	41,239,700	New York, NY (JFK)	422,415
12	Miami, FL (MIA)	40,941,879	Philadelphia, PA (PHL)	419,253
13	Seattle, WA (SEA)	37,498,267	Minneapolis-St. Paul, MN (MSP)	412,586
14	Orlando, FL (MCO)	35,714,091	Miami, FL (MIA)	402,663
15	Newark, NJ (EWR)	35,610,759	Newark, NJ (EWR)	395,524
16	Minneapolis-St. Paul, MN (MSP)	35,147,083	Detroit, MI (DTW)	392,635
17	Detroit, MI (DTW)	32,513,555	Boston, MA (BOS)	363,797
18	Boston, MA (BOS)	31,658,351	<b>New York, NY (LGA)</b>	<b>360,834</b>
19	Philadelphia, PA (PHL)	30,740,180	Phoenix, AZ (DVT)	339,493
<b>20</b>	<b>New York, NY (LGA)</b>	<b>26,954,588</b>	Seattle-Tacoma, WA (SEA)	337,132
21	Fort Lauderdale-Hollywood, FL (FLL)	24,648,306	Long Beach, CA (LGB)	336,615
22	Baltimore, MD (BWI)	22,312,676	Salt Lake City, UT (SLC)	324,955
23	Washington, D.C. (IAD)	21,420,385	Daytona Beach, FL (DAB)	292,147
24	Salt Lake City, UT (SLC)	21,141,610	Orlando, FL (MCO)	290,331
25	Chicago, IL (MDW)	21,069,564	Anchorage, AK (ANC)	290,264

SOURCE: Airports Council International-North America, 2014 North American Airport Traffic Summary.

PREPARED BY: Ricondo & Associates, Inc., December 2015.

The Airport's proximity to the center of New York City's business district and large population base supports service at the Airport. **Table 3-10** depicts the enplaned passenger shares among the six airports serving the New York metropolitan and surrounding areas: LaGuardia, JFK, Newark Liberty, Westchester County, Stewart International, and Long Island MacArthur Airports. LaGuardia ranked third in terms of total enplaned passengers in each of the past 10 years.

**Exhibit 3-5** shows the domestic O&D passengers served at the six New York City area airports for the four quarters ending Q2 2015. LaGuardia serves more domestic O&D passengers than any of the other airports and domestic O&D enplaned passengers make up approximately 80 percent of total Airport enplaned passengers.

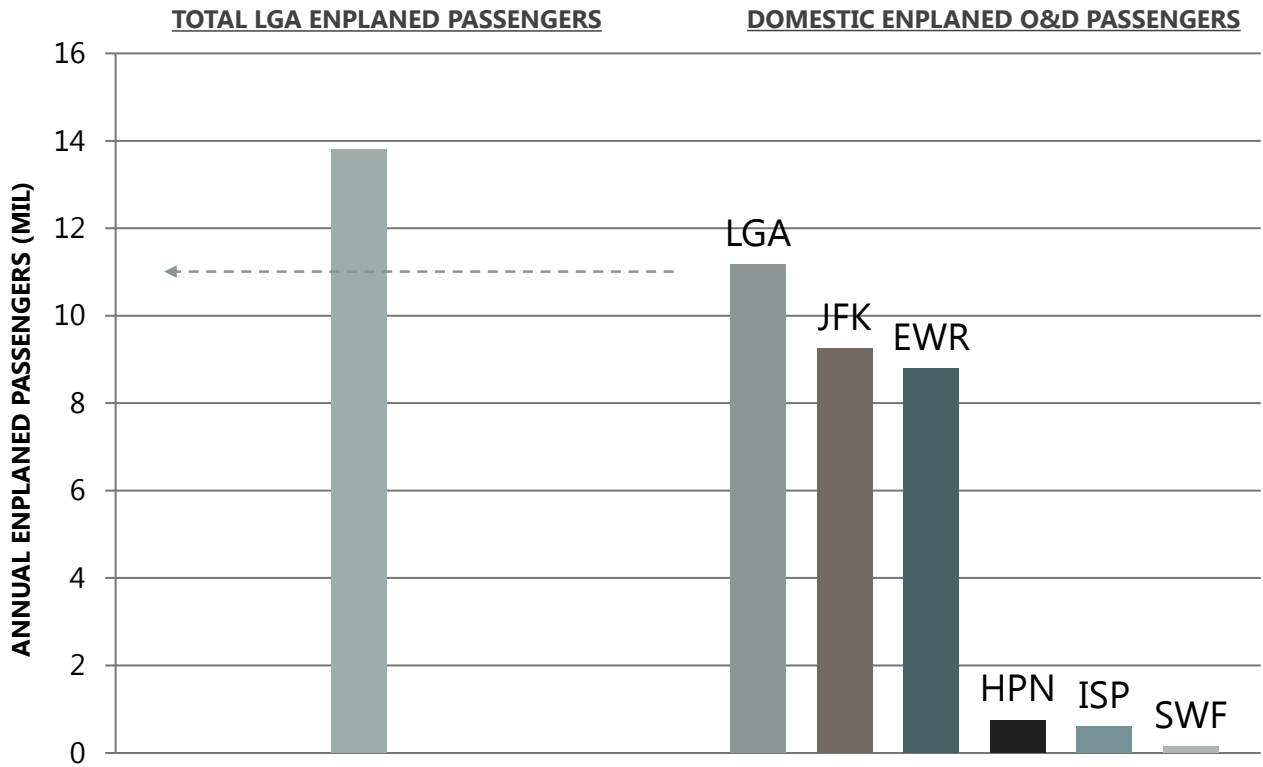
A determinant of the ability of an airport to support air service is the quality of that airport's O&D market base. More specifically, the combination of O&D passenger volumes and the fares paid by those passengers combine to defray and exceed the costs airlines incur to carry passengers on journeys of various distances. In general, higher passenger volumes, higher airfares, and shorter distances required to carry passengers support higher airline profitability. Two metrics can be analyzed to account for these three considerations, as each metric accounts for distance flown in its construct:

- Yield: Passenger airfare divided by the number of miles traveled by the passenger.
- Revenue Passenger Miles (RPM): The average number of miles traveled by each passenger multiplied by the number of passengers flown.

The product of yield and RPM is passenger airfare revenue. A balance of yield and RPM is preferable, since a shortfall of either metric could result in a shortfall of revenue (barring a disproportionately high accompanying metric).

**Exhibit 3-6** illustrates the balance of average domestic O&D market yields and RPMs across the 20 busiest U.S. airports (connecting and international passengers were excluded). Only Hartsfield-Jackson Atlanta International Airport exceeds LaGuardia in both O&D yield and RPMs. LaGuardia's domestic O&D market balance implies a resilience airlines may have at the airport in an ability to either increase airfares (in a reduced passenger volume environment) or increase passenger volumes (in a reduced airfare environment) in order to sustain air service.

**Exhibit 3-5: New York City Area Airport Domestic O&D Passenger Volumes**



SOURCE: U.S. Department of Transportation DB1B Survey, February 2016.  
PREPARED BY: Ricondo & Associates, Inc., February 2016.

**Table 3-10: Historical Shares of Enplaned Passengers for the Six Airports Serving the New York Metropolitan and Surrounding Areas**

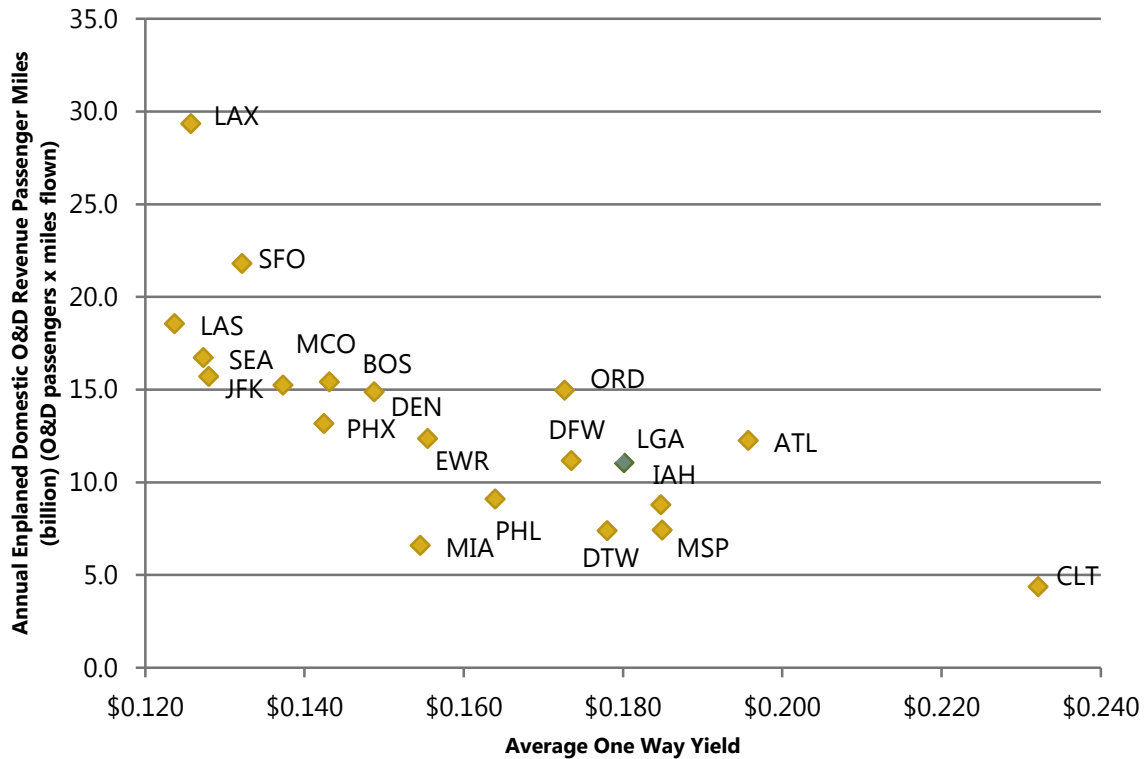
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
John F. Kennedy International Airport	40.3%	40.3%	42.8%	44.0%	44.3%	44.0%	44.4%	44.5%	44.4%	45.4%	45.7%
Newark Liberty International Airport	32.6%	33.7%	32.6%	32.6%	32.2%	31.4%	31.4%	30.7%	30.8%	30.3%	30.1%
<b>LaGuardia Airport</b>	<b>25.5%</b>	<b>24.4%</b>	<b>22.4%</b>	<b>21.3%</b>	<b>21.4%</b>	<b>22.7%</b>	<b>22.5%</b>	<b>23.2%</b>	<b>23.5%</b>	<b>23.0%</b>	<b>22.9%</b>
Westchester County Airport	0.4%	0.5%	0.7%	0.8%	0.9%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%
Long Island MacArthur Airport	1.0%	1.1%	1.0%	1.0%	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%
Stewart International Airport	0.2%	0.1%	0.4%	0.4%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%

NOTE: Westchester County Airport and Long Island MacArthur Airport data were calculated from T-100 data. International data was not available for Q4 2015.

SOURCES: The Port Authority of New York and New Jersey, *Airport Traffic Report*; U.S. Department of Transportation T-100, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Exhibit 3-6: Average Domestic Yield per Passenger Mile at the Top 20 U.S. Airports**



NOTE: Data are for the four quarters ended Q2 2015.  
SOURCE: U.S. Department of Transportation DB1B Survey, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

### 3.3 Airlines Serving the Airport

The Airport is an important O&D market within the networks of the passenger airlines serving the Airport. **Table 3-11** lists the scheduled airlines serving the Airport during the 12 months ended December 2015. The Airport is currently served by all three U.S. network airlines, five low-cost and ultra-low-cost airlines, and two foreign-flag airlines. Calendar year 2015 enplaned passenger market shares are provided. Delta was the busiest airline serving the Airport with 38.4 percent of total enplanements. American was the second busiest airline serving the Airport with 27.0 percent of total enplanements and Southwest was the third busiest airline, with 9.3 percent of total Airport enplanements.

**Table 3-12** presents the scheduled U.S. airlines that served the Airport at any time since 2005. The Airport has had the benefit of a large and stable airline base, which has helped promote competitive service and scheduling diversity in the Airport’s major markets. In February 2016, 563 daily (weekday) flights on average were scheduled to 65 domestic destinations and 4 international destinations from LaGuardia.



**Table 3-11: Scheduled Airlines Serving the Airport in 2015**

SCHEDULED U.S. AIRLINES (8)	ENPLANEMENT MARKET SHARE <sup>1/</sup>	TERMINAL			
		A	B	C	D
Air Canada	3.6%		•		
American Airlines <sup>1/</sup>	27.0%		•	•	
Delta Air Lines	38.4%	•		•	•
Frontier Airlines	0.9%		•		
JetBlue Airways	5.6%		•		
Southwest Airlines	9.3%		•		
Spirit Airlines	4.4%		•		
United Airlines	8.4%		•		
Virgin America	0.9%		•		
WestJet Airlines	1.4%				•

NOTES: Totals may not add due to rounding.

1/ In December 2013, American Airlines and US Airways merged under the same parent corporation. A single operating certificate was awarded on April 8, 2015.

SOURCE: The Port Authority of New York and New Jersey, Airport Traffic Report; Innovata, December 2015.

PREPARED BY: Ricondo & Associates, Inc., December 2015.

**Table 3-12: Historical Scheduled U.S. Passenger Airline Base**

AIRLINE <sup>1/</sup>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Air Canada	•	•	•	•	•	•	•	•	•	•	•
American Airlines <sup>2/</sup>	•	•	•	•	•	•	•	•	•	•	•
Delta Air Lines <sup>3/</sup>	•	•	•	•	•	•	•	•	•	•	•
Frontier Airlines	•	•	•	•	•	•	•	•	•	•	•
JetBlue Airways	•	•	•	•	•	•	•	•	•	•	•
Southwest Airlines <sup>4/</sup>	•	•	•	•	•	•	•	•	•	•	•
Spirit Airlines	•	•	•	•	•	•	•	•	•	•	•
United Airlines <sup>5/</sup>	•	•	•	•	•	•	•	•	•	•	•
WestJet Airlines	•							•	•	•	•
Virgin America										•	•
ATA Airlines	•	•	•	•							
Canjet Airlines	•	•									
Independence Air	•										

NOTES:

1/ Includes regional affiliates

2/ In December 2013, American Airlines and US Airways merged. The FAA granted American a single operating certificate d on April 8, 2015.

3/ In October 2008, Delta Air Lines and Northwest Airlines merged. The FAA granted Delta a single operating certificate on January 1, 2010.

4/ In May 2011, Southwest Airlines and AirTran Airways merged. The FAA granted Southwest a single operating certificate on March 1, 2012.

5/ In October 2010, United Airlines and Continental Airlines merged. The FAA granted United a single operating certificate on November 30, 2011.

SOURCES: Innovata, December 2015.

PREPARED BY: Ricondo & Associates, Inc., December 2015.

## 3.4 Historical Airport Activity

The following subsections present a review of the Airport’s historical passenger activity and airline service.

### 3.4.1 ENPLANED PASSENGERS AND PASSENGER AIRCRAFT OPERATIONS

**Table 3-13** presents numbers of historical enplaned passengers at the Airport for 2005 through 2015.<sup>33</sup> The total number of enplaned passengers at the Airport increased by a compound annual growth rate of 1.0 percent from 2005 through 2015. During this period, the number of domestic enplaned passengers increased at a compound annual growth rate of 0.9 percent, while the number of international enplaned passengers increased at a compound annual growth rate of 2.3 percent.

**Table 3-13: Historical Enplaned Passengers**

CALENDAR YEAR	DOMESTIC		INTERNATIONAL		TOTAL	
	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH
2005	12,624,937		727,577		13,352,514	
2006	12,623,757	(0.0%)	659,349	(9.4%)	13,283,106	(0.5%)
2007	12,274,810	(2.8%)	625,321	(5.2%)	12,900,131	(2.9%)
2008	11,381,030	(7.3%)	578,049	(7.6%)	11,959,080	(7.3%)
2009	10,958,495	(3.7%)	512,802	(11.3%)	11,471,297	(4.1%)
2010	11,851,172	8.1%	530,360	3.4%	12,381,532	7.9%
2011	11,960,944	0.9%	531,708	0.3%	12,492,652	0.9%
2012	12,595,397	5.3%	740,739	39.3%	13,336,136	6.8%
2013	12,978,625	3.0%	901,178	21.7%	13,879,803	4.1%
2014	13,066,029	0.7%	943,749	4.7%	14,009,778	0.9%
2015	13,806,642	5.7%	915,769	(3.0%)	14,722,411	5.1%
<b>Compound Annual Growth Rate</b>						
2005 - 2008	(3.4%)		(7.4%)		(3.6%)	
2008 - 2011	1.7%		(2.7%)		1.5%	
2011 - 2015	3.7%		14.6%		4.2%	
2005 - 2015	0.9%		2.3%		1.0%	

NOTE:

Nonrevenue passengers were allocated among the domestic and international passenger numbers.

SOURCE: The Port Authority of New York and New Jersey, *Airport Traffic Report*, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

<sup>33</sup> Includes nonrevenue passengers.

The number of enplaned passengers at the Airport decreased between 2007 and 2009, as a result of the effects of the economic recession that began in December 2007 and subsequent capacity reductions by the airlines in response. In 2008, airlines reduced capacity through consolidation and aircraft retirements in response to lower passenger demand and record-high oil prices. Airlines held capacity relatively flat as the economy began to improve, keeping control of costs and generating higher revenues through increased fares and new fees, while emphasizing service in profitable markets.

In addition to industry-wide effects on activity at LaGuardia, in 2009, the FAA reduced the number of operating authorizations or 'slots' at the Airport from 75 to 71 per hour. Existing operations above the 71 slot limit were grandfathered in under the reduction. Slots were first imposed at LaGuardia in 1968 because the number of scheduled flights exceeded the capacity of the airfield and immediate airspace. Further information regarding the regulatory constraints at the Airport is provided in Section 3.5.5.

Growth in the number of enplaned passengers at the Airport resumed in 2010 with a 7.9 percent increase compared with the prior year, driven mainly by increased load factors as total scheduled seat capacity increased 3.7 percent in the same year. Enplaned passenger growth has continued every year since then; in 2013 and 2014, the number of enplaned passengers increased 6.8 percent and 4.1 percent, respectively. Load factors continued to climb in 2012 and 2013 as growth in the numbers of enplaned passengers outpaced capacity increases of 4.0 percent and 1.7 percent, respectively. New entrants also contributed to this growth, as WestJet Airlines began service at the Airport in 2012, and Virgin America began service at the Airport in 2014. The numbers of international enplaned passengers increased 39.3 percent in 2012 and 21.7 percent in 2013, largely as a result of the new service by WestJet. In 2015, load factors again increased, as the number of enplaned passengers increased 5.1 percent from the 2014 number, with seat capacity increasing 1.8 percent.

The historical enplaned passenger market shares of the passenger airlines serving the Airport since 2010 are shown in **Table 3-14**. In 2010 and 2011, American was the busiest airline operating at the Airport measured by number of enplaned passengers. In 2011, the U.S. Department of Justice (DOJ) approved a proposal between Delta and US Airways to exchange slots at Reagan Washington National Airport (DCA) and LaGuardia. Delta acquired 132 slot pairs at LaGuardia (each pair allows for one landing and one departure) from US Airways in exchange for 42 slot pairs at DCA as well as cash considerations. As a result, Delta overtook American as the busiest airline operating at the Airport in 2012.

As part of the slot exchange agreement, the U.S. DOJ required that the two airlines divest 16 slot pairs at LaGuardia to airlines accounting for no more than 5.0 percent of the slots at the Airport. The slots were distributed through a blind auction, and JetBlue Airways and WestJet received eight pairs each. After receiving the slots, JetBlue increased its enplaned passenger market share from 4.6 percent in 2011 to 5.4 percent in 2013. WestJet began serving the Airport in 2012 and accounted for a 1.2 percent enplaned passenger market share by 2013.

**Table 3-14: Historical Airline Market Shares of Enplaned Passengers**

AIRLINE <sup>1/</sup>	2010	2011	2012	2013	2014	2015
Delta Air Lines	29.5%	29.6%	36.3%	39.7%	39.3%	38.4%
American Airlines <sup>2/</sup>	38.9%	38.4%	32.4%	28.9%	27.6%	27.0%
Southwest Airlines	8.0%	7.7%	7.4%	7.5%	8.7%	9.3%
United Airlines	10.4%	10.3%	9.2%	8.7%	8.7%	8.4%
JetBlue Airways	3.4%	3.5%	4.6%	5.4%	5.4%	5.6%
Spirit Airlines	4.4%	4.8%	4.5%	4.7%	4.7%	4.4%
Air Canada	3.1%	3.3%	3.3%	3.2%	3.4%	3.6%
WestJet Airlines	-	-	0.7%	1.2%	1.3%	1.4%
Frontier Airlines	2.2%	2.4%	1.4%	0.8%	0.7%	0.9%
Virgin America	-	-	-	-	0.2%	0.9%

NOTE: Includes airlines with a greater than 0.1% market share in 2015.

1/ Includes regional affiliates where applicable.

2/ Includes US Airways

SOURCE: The Port Authority of New York and New Jersey, *Airport Traffic Report*, February 2016.

PREPARED BY: Ricondo & Associates, Inc., February 2016.

### 3.4.2 AIR SERVICE

An important characteristic of Airport activity is the distribution of O&D markets, which is a function of air travel demand and available services and facilities. **Table 3-15** presents the historical O&D and connecting enplaned passenger shares at the Airport for 2005 through 2014. The share of O&D passengers has fluctuated from a high of 93.8 percent in 2009 to a low of 90.9 percent in 2014. Since 2005, O&D passengers have increased at a compound annual growth rate of 0.3 percent. Connecting passenger volumes grew approximately 18 percent in 2014. Because of the Airport's proximity to the lucrative New York City market and the Perimeter Rule, a restriction that prohibits flights beyond 1,500 miles from the Airport with few exceptions, service at LaGuardia has traditionally been focused on O&D passengers rather than transient connecting passengers.

**Exhibit 3-7** presents the destinations served nonstop from the Airport as of February 2016<sup>34</sup>. The airlines operating at the Airport provide service to 72 domestic destinations and 6 international destinations. The impact of the Perimeter Rule is visible, with only four destinations, Denver, Montrose, Bozeman, and Aruba outside of the 1,500 mile radius. The Perimeter Rule was originally implemented in the 1950s, prohibiting flights in excess of 2,000 miles from LaGuardia to encourage airlines and travelers to use JFK. In 1984, the perimeter was reduced to 1,500 miles, and service to Denver was grandfathered in under the change. Flights operating on Saturdays were exempted as well.

<sup>34</sup> Also shown is seasonal service that does not operate in February.

**Table 3-15: Historical Originating and Connecting Passengers**

YEAR	TOTAL O&D ENPLANED PASSENGERS	O&D PERCENT OF AIRPORT TOTAL	TOTAL CONNECTING ENPLANED PASSENGERS	CONNECTING PERCENT OF AIRPORT TOTAL	TOTAL ENPLANED PASSENGERS
2005	12,441,896	93.2%	910,618	6.8%	13,352,514
2006	12,251,915	92.2%	1,031,190	7.8%	13,283,106
2007	11,865,927	92.0%	1,034,204	8.0%	12,900,131
2008	11,027,713	92.2%	931,366	7.8%	11,959,080
2009	10,765,460	93.8%	705,836	6.2%	11,471,297
2010	11,534,954	93.2%	846,578	6.8%	12,381,532
2011	11,620,391	93.0%	872,261	7.0%	12,492,652
2012	12,221,067	91.6%	1,115,068	8.4%	13,336,136
2013	12,802,644	92.2%	1,077,159	7.8%	13,879,803
2014	12,738,639	90.9%	1,271,139	9.1%	14,009,778
<b>Compound Annual Growth Rate</b>					
2005 - 2014	0.3%		3.8%		0.5%

NOTES: Includes nonrevenue passengers. Foreign flag carrier O&D data is not available in U.S. DoT reports and has been estimated.

SOURCES: U.S. Department of Transportation T-100 and DB1B Survey, February 2016.

PREPARED BY: Ricondo & Associates, Inc., February 2016.



SOURCE: Innovata, December 2015.  
PREPARED BY: Ricondo & Associates, Inc., January 2016.

EXHIBIT 3-7

The Airport's top 50 domestic O&D passenger markets are shown in **Table 3-16**. For the 12 months ended June 30, 2015 (the most recent period for which data are available), Chicago O'Hare International Airport was the largest domestic O&D market from the Airport. Airlines serve 29 of the top 30, and 43 of the top 50 domestic O&D markets nonstop from the Airport. The Perimeter Rule, discussed further in Section 3.5.5, limits the ability of airlines to serve larger and more distant markets on a nonstop basis. As a result, much of the activity in markets beyond 1,500 miles from LaGuardia currently is served at JFK and Newark Liberty on nonstop flights. **Table 3-17** shows the top 10 O&D markets from the combined three major New York City area airports to destinations farther than 1,500 miles from New York, as well as the share captured by LaGuardia. Any changes to the 1,500-mile perimeter restriction could increase the Airport's share of passengers in these markets. **Exhibit 3-8** illustrates the domestic destinations served from LaGuardia, JFK, and Newark Liberty and the impact of the perimeter rule on nonstop service from LaGuardia. Despite this, LaGuardia serves 61 percent of the total domestic nonstop destinations from New York City area airports, and LaGuardia's nonstop service covers 70 percent of New York City area domestic O&D passengers.

The Airport plays a significant role within Delta and American's route networks. As the Airport's two largest carriers Delta and American combined account for more than 65 percent of total passengers at the Airport. For both carriers, LaGuardia is the primary airport for serving New York City area domestic O&D passengers while JFK functions as an international gateway with much of the domestic service at JFK scheduled to feed international flying. In overlapping markets from JFK and LaGuardia, LaGuardia schedules provide better time-of-day schedule coverage, offering more options for New York City area domestic O&D passengers. While both carriers operate at Newark Liberty, it serves as a spoke airport for both airlines (and their European joint venture partners), and is a hub for United Airlines.

### 3.4.3 AIRCRAFT OPERATIONS

**Table 3-18** presents passenger airline aircraft operations at the six airports serving the New York metropolitan and surrounding areas. LaGuardia's share of passenger airline aircraft operations decreased each year between 2005 and 2009, in part because of the FAA's reduction of hourly slots at the Airport. Since 2010, operations at LaGuardia have remained stable and have accounted for between 29.2 percent and 29.8 percent of total passenger airline aircraft operations at the six area airports.

Historical trends in aircraft operations at LaGuardia are presented in **Table 3-19**. In 2015, 97.4 percent of all aircraft operations at the Airport were conducted by the passenger airlines. From 2005 through 2015, the total number of aircraft operations at the Airport decreased at a compound annual growth rate of -1.1 percent.

### 3.4.4 HISTORICAL AIRPORT ACTIVITY BY TERMINAL

In addition to Terminal B, the primary focus of the forecasts, the passenger airlines operate at three other Airport terminals: Terminal A, also known as the Marine Air Terminal, Terminal C, and Terminal D. In the past, airlines have operated from one or multiple terminals and have relocated between terminals as a result of mergers, construction, or other factors. The distribution of enplaned passengers between the terminals in 2005 through 2015 is provided in **Table 3-20**.

**Table 3-16 (1 of 2): LaGuardia's Top 50 Domestic Origin and Destination Passenger Markets - 2015**

RANK	MARKET	TOTAL O&D PASSENGERS	NONSTOP SERVICE
1	Chicago (ORD)	2,016,564	●
2	Atlanta	1,494,311	●
3	Fort Lauderdale-Hollywood	1,302,938	●
4	Miami	1,249,246	●
5	Orlando	927,208	●
6	Dallas-Fort Worth (DFW)	898,931	●
7	Denver	758,545	●
8	Detroit	690,290	●
9	West Palm Beach	639,475	●
10	Charlotte	589,214	●
11	Boston	573,602	●
12	Tampa	514,760	●
13	Houston (IAH)	508,316	●
14	Nashville	449,586	●
15	Washington (DCA)	443,447	●
16	Raleigh-Durham	408,552	●
17	St. Louis	404,261	●
18	Minneapolis-St. Paul	398,456	●
19	Chicago (MDW)	386,549	●
20	Dallas (DAL)	326,487	●
21	Milwaukee	315,092	●
22	New Orleans	274,913	●
23	Fort Myers	271,821	●
24	Pittsburgh	236,605	●
25	Kansas City	226,931	●
26	Cleveland	221,787	●
27	Myrtle Beach	211,548	●
28	Columbus	208,785	●
29	Houston (HOU)	207,207	●
30	Los Angeles	190,437	●
31	Indianapolis	177,049	●
32	Akron/Canton	164,707	●
33	Jacksonville	159,876	●



**Table 3-16 (2 of 2): LaGuardia's Top 50 Domestic Origin and Destination Passenger Markets - 2015**

RANK	MARKET	TOTAL O&D PASSENGERS	NONSTOP SERVICE
34	Cincinnati	155,464	●
35	Sarasota-Bradenton	144,651	●
36	Las Vegas	134,896	
37	Buffalo	128,716	●
38	San Antonio	115,903	
39	Austin	114,968	
40	Greensboro	114,684	●
41	San Francisco	113,047	
42	Memphis	108,853	●
43	Charleston, SC	106,760	●
44	Richmond	103,937	●
45	San Diego	99,582	
46	Birmingham	96,034	●
47	Louisville	95,728	●
48	Phoenix	92,329	
49	Rochester, NY	74,760	●
50	Savannah	72,631	●

NOTE: Total passengers, both ways. For the 12 months ended June 30, 2015.

SOURCES: U.S. Department of Transportation DB1B Survey; Innovata, December 2015.

PREPARED BY: Ricondo & Associates, Inc., December 2015.

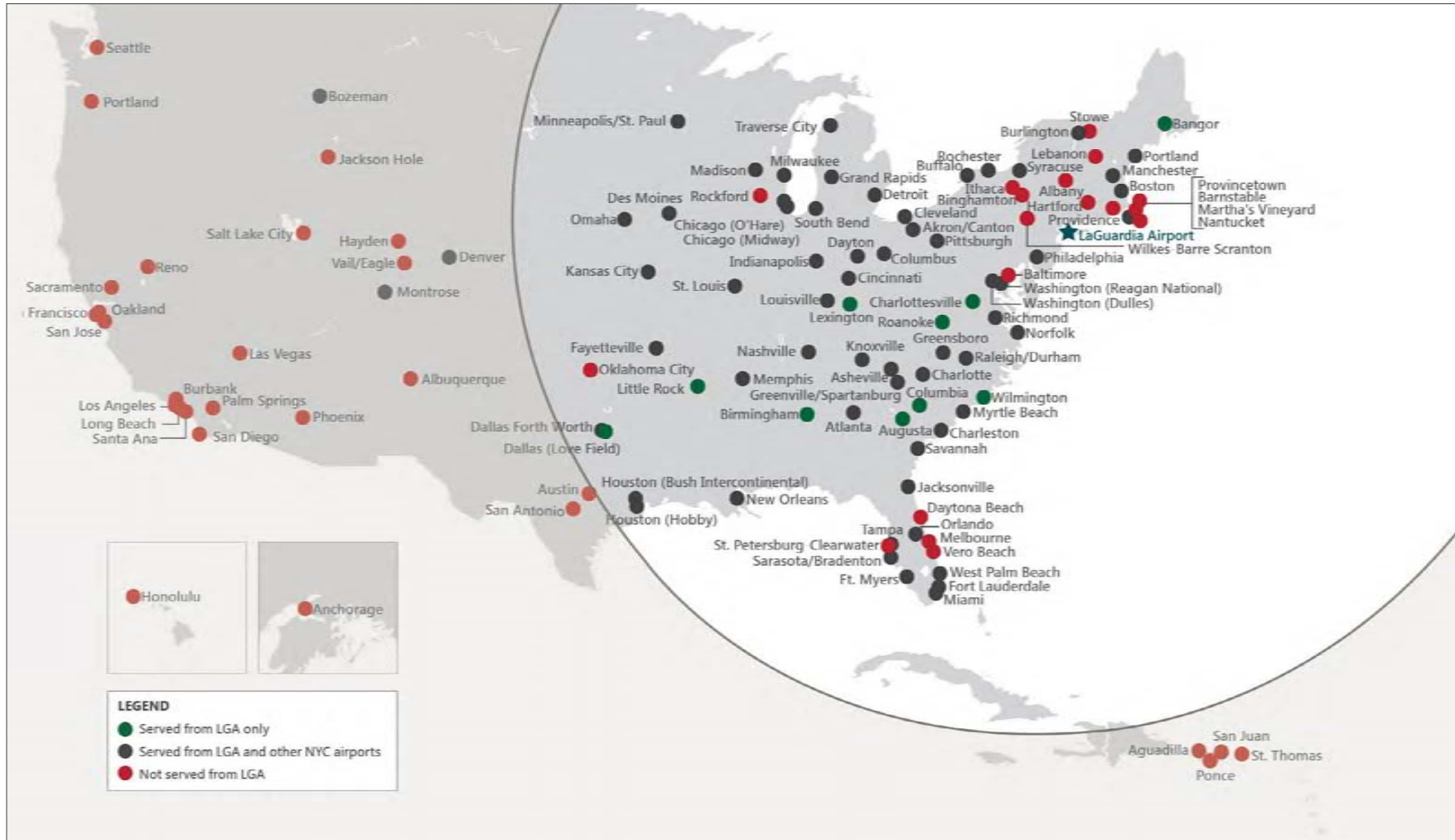
**Table 3-17: Top 10 New York City Area O&D Passenger Markets Without Nonstop from LaGuardia- 2015**

<b>RANK</b>	<b>MARKET</b>	<b>TOTAL O&amp;D PASSENGERS</b>	<b>LAGUARDIA O&amp;D PASSENGERS</b>	<b>LAGUARDIA O&amp;D SHARE</b>
1	Los Angeles	4,084,505	190,437	4.7%
2	San Francisco	3,280,985	113,047	3.4%
3	Las Vegas	1,529,423	134,896	8.8%
4	San Juan, Puerto Rico	1,228,984	14,742	1.2%
5	Phoenix	1,024,181	92,329	9.0%
6	Seattle-Tacoma	922,163	63,388	6.9%
7	San Diego	772,714	99,582	12.9%
8	Austin	707,501	114,968	16.2%
9	Salt Lake City	481,236	72,220	15.0%
10	Portland, Oregon	400,414	48,758	12.2%

NOTE: Total passengers, both ways. For the 12 months ended June 30, 2015.

SOURCE: U.S. Department of Transportation, DB1B Survey, December 2015.

PREPARED BY: Ricondo & Associates, Inc., December 2015.



SOURCE: Innovata, December 2015.  
PREPARED BY: Ricondo & Associates, Inc., January 2016.

**EXHIBIT 3-8**

Nonstop Destinations Served from New York City Airports

[B1-91]

**Table 3-18: Historical Airport Shares of Passenger Airline Aircraft Operations**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
John F. Kennedy International Airport	27.6%	29.2%	32.7%	33.1%	33.4%	32.3%	32.8%	32.3%	32.7%	34.4%	35.5%
Newark Liberty International Airport	34.4%	34.3%	32.2%	32.8%	33.1%	33.3%	32.9%	33.3%	33.3%	32.2%	31.5%
<b>LaGuardia Airport</b>	<b>31.6%</b>	<b>30.8%</b>	<b>28.9%</b>	<b>28.6%</b>	<b>28.5%</b>	<b>29.4%</b>	<b>29.3%</b>	<b>29.7%</b>	<b>29.8%</b>	<b>29.4%</b>	<b>29.2%</b>
Westchester County Airport	3.0%	2.7%	3.0%	2.9%	2.9%	3.1%	3.0%	2.8%	2.5%	2.4%	2.5%
Long Island MacArthur Airport	2.6%	2.3%	2.1%	1.8%	1.6%	1.5%	1.4%	1.2%	1.2%	1.1%	1.0%
Stewart International Airport	0.9%	0.6%	1.1%	0.9%	0.5%	0.5%	0.6%	0.6%	0.5%	0.5%	0.4%

NOTES: Westchester County Airport and Long Island MacArthur Airport data were calculated from T-100 data. International data was not available for Q4 2015.

SOURCES: The Port Authority of New York and New Jersey, *Airport Traffic Report, April 2016*; U.S. Department of Transportation, T-100, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table 3-19: Historical Aircraft Operations at LaGuardia Airport**

YEAR	PASSENGER AIRCRAFT OPERATIONS	OTHER AIRCRAFT OPERATIONS	TOTAL AIRPORT OPERATIONS	SEATS PER DEPARTURE
2005	384,579	16,292	400,871	95.6
2006	385,212	14,738	399,950	93.6
2007	377,232	14,315	391,547	91.9
2008	367,535	11,373	378,908	92.2
2009	344,833	9,555	354,388	91.5
2010	351,679	9,937	361,616	92.1
2011	356,108	9,762	365,870	93.0
2012	360,137	9,852	369,989	97.6
2013	360,978	9,883	370,861	98.8
2014	351,024	9,810	360,834	100.1
2015	350,938	9,336	360,274	102.4
<b>Compound Annual Growth Rate</b>				
2005 - 2015	-0.9%	-5.4%	-1.1%	0.7%

SOURCE: The Port Authority of NY and NJ *Airport Traffic Report*, February 2016.

PREPARED BY: Ricondo & Associates, Inc., February 2016.

**Table 3-20: Historical Enplaned Passengers by Airport Terminal**

YEAR	TERMINAL A	TERMINAL B	TERMINAL C	TERMINAL D	AIRPORT TOTAL	TERMINAL B AS A PERCENT OF AIRPORT TOTAL
2005	624,527	6,847,259	2,407,934	3,076,201	12,955,921	52.9%
2006	688,015	7,030,872	2,317,677	2,866,270	12,902,834	54.5%
2007	650,259	6,879,774	2,312,141	2,692,034	12,534,208	54.9%
2008	520,385	6,206,832	2,127,260	2,713,727	11,568,204	53.7%
2009	445,380	5,755,951	2,239,562	2,686,947	11,127,840	51.7%
2010	571,500	6,290,917	2,174,117	2,975,554	12,012,088	52.4%
2011	445,980	6,368,523	2,116,759	3,147,739	12,079,001	52.7%
2012	499,314	6,472,353	3,014,143	2,885,204	12,871,014	50.3%
2013	463,985	6,569,149	3,783,127	2,586,307	13,402,568	49.0%
2014	455,895	6,767,583	3,821,265	2,462,999	13,507,742	50.1%
2015	322,852	7,165,130	4,631,925	2,117,877	14,237,784	50.3%
<b>Compound Annual Growth Rate</b>						
2005 - 2015	-6.4%	0.5%	6.8%	-3.7%	0.9%	

NOTE: Excludes nonrevenue passengers

SOURCE: The Port Authority of New York and New Jersey *Airport Traffic Report*, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

In 2015, approximately 7.2 million enplaned passengers, or 50.3 percent of total Airport enplaned passengers, used Existing Terminal B. Existing Terminal B’s highest share of Airport passengers in this period, 54.9 percent, was reached in 2007. Existing Terminal B’s share of enplaned passengers decreased from 52.4 percent in 2010; however, the decrease was driven primarily by growth in Terminal C rather than a passenger shift away from Existing Terminal B. The total number of enplaned passengers in Existing Terminal B increased at a compound annual growth rate 0.5 percent from 2005 through 2015.

## 3.5 Factors Affecting Aviation Demand at the Airport and at Terminal B

The qualitative factors that could influence future aviation activity at the Airport are discussed in this section.

### 3.5.1 NATIONAL ECONOMY

Historically, trends in airline travel demand, measured by either numbers of passengers or passenger revenues, have been closely correlated with national economic trends, most notably changes in GDP.

Section 3.1 of this Report presents an analysis of general economic trends, both nationally and locally, that may influence demand for air service at the Airport over time. Actual economic activity is likely to differ from those projections, especially on a year-to-year basis, with demand for air service likely reacting in kind.

### 3.5.2 STATE OF THE AIRLINE INDUSTRY

In the aftermath of the terrorist attacks on September 11, 2001, the U.S. airline industry experienced a material adverse shift in the demand for airline travel, which exacerbated problems for a U.S. airline industry already weakened by a slowing economy and rising labor and fuel costs. The result was 4 years of reported industry operating losses in 2001 through 2004, totaling more than \$22 billion (excluding extraordinary charges and gains). Following these restructuring years, the airline industry gained ground from 2005 through 2007, with U.S. airlines posting combined operating profits in all 3 years.<sup>35</sup> In 2008 and through the first half of 2009, the combination of record-high fuel prices, weakening economic conditions, and a weak dollar resulted in the worst financial environment for U.S. network and low-cost airlines since the September 11 terrorist attacks. Since 2009, industry consolidation, capacity realignment, and a recovering economy resulted in record industry profits in 2013 and 2014. North American airlines members of the International Air Transport Association are projected to generate profits of \$15.7 billion in 2015, after producing \$11.2 billion in profits in 2014.<sup>36</sup> Industry-wide profitability will have a direct impact on airline willingness to allocate capacity in the market, with a significant decrease causing a reduction in passenger enplanements.

#### 3.5.2.1 Airline Mergers and Acquisitions

Since 2009, airlines have merged or acquired competitors in an attempt to increase operational synergies and become more competitive and cost efficient. In 2009, Delta completed its merger with Northwest Airlines, initiating a wave of U.S. airline mergers and acquisitions. That same year, Republic Airways Holdings, a regional airline, acquired Frontier Airlines of Denver and Midwest Airlines of Milwaukee. In 2010, United and Continental merged, creating the world's largest airline at the time in terms of operating revenue and revenue passenger miles. In 2011, Southwest Airlines acquired AirTran Holdings, Inc., the former parent company of low-cost competitor AirTran Airways. Effective December 9, 2013, American and US Airways merged, creating the largest airline in terms of operating revenue and revenue passenger miles (surpassing United). In April 2016, the Alaska Air Group announced plans to acquire Virgin America. The deal is subject to US Department of Justice review and approval. Mergers and acquisitions have enabled airlines to reduce capacity and manage demand to achieve higher profitability. Additional consolidation in the U.S. airline industry could affect the amount of capacity offered to passengers and alter the competitive landscape.

#### 3.5.2.2 Cost of Aviation Fuel

The price of fuel is one of the most significant and volatile airline expenses. Historically, fuel has been the first or second largest operating expense for the airline industry, shifting with labor as the cost of fuel fluctuated. As of the third quarter of 2015, fuel was the largest operating expense for the airline industry, representing 28.0 percent of operating expenses. **Exhibit 3-9** shows the monthly average cost of jet fuel and crude oil

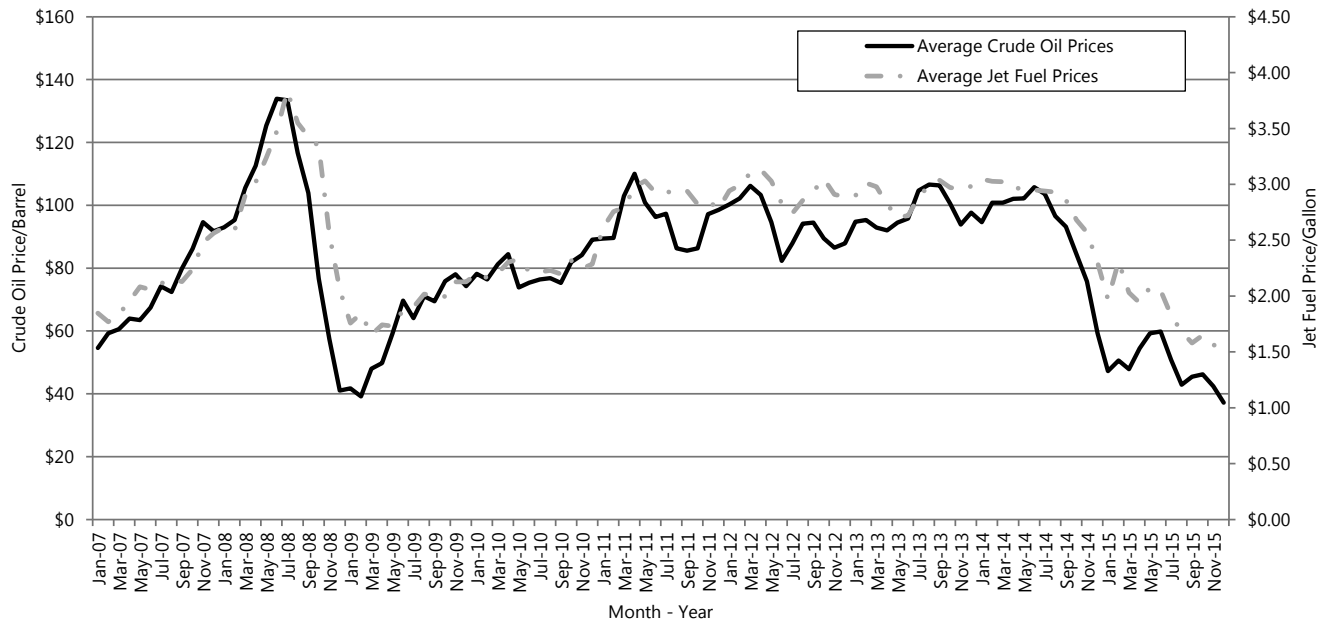
---

<sup>35</sup> Source: Airlines for America, *2009 Economic Report*. **2009**

<sup>36</sup> International Air Transport Association, *Economic Performance of the Industry*, June 2015.

prices from January 2007 through December 2015. Since 2007, the average monthly price of jet fuel fluctuated between a high of \$3.84 per gallon in July 2008 to a low of \$1.46 per gallon in December 2015.

**Exhibit 3-9: Historical Monthly Averages of Jet Fuel and Crude Oil Prices**



SOURCES: U.S. Department of Transportation, Bureau of Transportation Statistics (Average Jet Fuel Prices), U.S. Energy Information Administration (Average Crude Oil Prices), January 2016.  
PREPARED BY: Ricondo & Associates, Inc., January 2016.

Fluctuating fuel costs will continue to affect airline profitability and could lead to changes in air service as airlines restructure service to address increases or decreases in the cost of fuel. A prolonged period of low fuel costs may result in additional industry-wide capacity as the cost of operating additional flights decreases.

### 3.5.2.3 Threat of Terrorism and Geopolitical Issues

The recurrence of terrorism incidents against either domestic or world aviation remains a risk to achieving the activity forecasts contained herein. Tighter security measures have restored the public's confidence in the safety of U.S. and world air travel. Any terrorist incident aimed at aviation could affect the demand for aviation services.

Additionally, geopolitical issues may affect aviation activity. Potential governmental or regional instability in certain countries or locations may affect access to, or demand for, aviation service in these locations. Future governmental or regional instability may affect aviation service demand at the Airport.

### 3.5.3 OPERATIONAL CAPACITY OF THE NATIONAL AIRSPACE SYSTEM

One of the FAA's concerns is how increased delays at busy airports affect the efficiency of the National Airspace System (NAS). In its January 2015 *Airport Capacity Needs in the National Airspace System* report, the

FAA stated the need to address delays that remain at key airports since the agency's 2007 assessment, and to implement NextGen airspace system improvements. The report emphasized the need to continue investing in system improvements with airfield enhancements and NextGen capabilities.

The New York City area airspace is one of the busiest in the country. NextGen projects are planned in the New York City area to improve operations and efficiencies. Projects planned that will specifically affect LaGuardia include improved flight paths, which would provide operational improvements, including the elimination of conflicts between LaGuardia and JFK. These projects would provide the ability to increase arrivals capacity at the Airport, resulting in the opportunity to increase the hourly slot limitations. It is estimated that hourly arrival rates would increase by 7 and 4 aircraft operations per hour with implementation of NextGen Phases I and II, respectively<sup>37</sup>. These increases would be in addition to existing arrivals of 74 aircraft per hour (71 scheduled airline aircraft slots and 3 general aviation aircraft operations). The forecast included in this report does not assume increases in current slot limitations at the Airport.

### 3.5.4 OTHER REGIONAL AIRPORTS

#### *John F. Kennedy International Airport*

JFK serves as a primary international gateway for the New York City area and the United States. JFK ranked as the nation's sixth busiest airport in 2014 measured by numbers of passengers, based on data from Airports Council International-North America (ACI-NA), as shown earlier in Table 3-9. The ACI-NA data also indicate that JFK is the nation's 11<sup>th</sup> busiest airport in terms of total aircraft movements. JFK ranked as the 18<sup>th</sup> busiest airport in the world in 2014 in terms of total passengers, 19<sup>th</sup> in terms of total cargo, and served the most international passengers of any U.S. airport.<sup>38</sup> Similar to LaGuardia and Newark Liberty, operations at JFK are limited by slot restrictions, which restrict total scheduled operations at 81 (plus two unscheduled operations) per hour between the hours of 6:00am and 10:59pm.

JFK is operated by the Port Authority under a lease with the City of New York that extends through 2050. JFK occupies approximately 4,930 acres located adjacent to Jamaica Bay in Queens County, approximately 15 miles from midtown Manhattan, and is accessible via the Van Wyck Expressway (Interstate 678) and the Nassau Expressway, as well as by AirTrain JFK, which connects the airport to the Long Island Railroad and New York Metropolitan Transportation Authority subway and bus lines at stations in Jamaica and Howard Beach, Queens County. JFK has six operating unit passenger terminals with 128 gates. The airfield consists of two pairs of parallel runways aligned at right angles. The runways range in length from 8,400 feet to 14,600 feet and are connected to the terminal and cargo facilities via 25 miles of taxiways. JFK serves as a hub for Delta and a focus city for JetBlue.

As of February 2016, 66 scheduled passenger airlines provided nonstop service from JFK to 64 domestic and 109 international destinations.

---

<sup>37</sup> *Upgrading to World Class, The Future of New York's Regional Airports*, Regional Plan Association January 2011

<sup>38</sup> Airports Council International, *2014 Worldwide Airports Traffic* August 31, 2015



### Newark Liberty International Airport

Newark Liberty ranked as the nation's 15<sup>th</sup> busiest airport in terms of passengers and 15<sup>th</sup> busiest in terms of total aircraft movements in 2014 based on data from ACI-NA. United Airlines uses Newark Liberty as a hub in its network. In 2014, United accounted for approximately 68 percent of the total enplaned passengers at the airport.

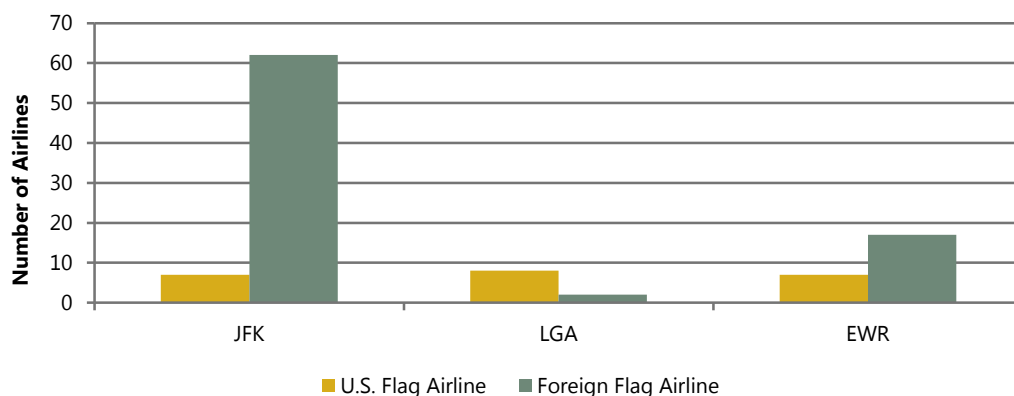
Newark Liberty is operated by the Port Authority under a lease with the City of Newark that extends through 2065. The airport occupies approximately 2,027 acres in Newark and Elizabeth, New Jersey, 16 miles from midtown Manhattan, and is accessible from the New Jersey Turnpike, Interstate 78, and U.S. Routes 1 and 9, as well as by rail (both New Jersey Transit and Amtrak's Northeast Corridor) via AirTrain Newark. The airfield consists of two primary commercial parallel runways that measure 9,980 feet and 11,000 feet in length, and a third runway primarily used by commuter aircraft.

Newark Liberty's central terminal area consists of three terminals providing access to a total of 101 aircraft gates. Complementing the passenger activity, the airport serves as the overnight small package center for the New York – New Jersey region, and offers a total of 1.3 million square feet of cargo facilities.

As of February 2016, 24 airlines provided service from Newark Liberty to 83 domestic destinations and 76 international destinations.

The number of scheduled U.S. and foreign flag airlines serving JFK, LaGuardia, and Newark Liberty are shown on **Exhibit 3-10**. As shown, LaGuardia primarily serves domestic operations, complemented by international service at JFK and Newark Liberty.

**Exhibit 3-10: Scheduled U.S. and Foreign Flag Airlines at JFK, LaGuardia, and Newark Liberty**



SOURCE: Innovata, December 2015.  
PREPARED BY: Ricondo & Associates, Inc., December 2015.

Historically, operations at Newark Liberty have been limited by slot restrictions, which restrict total scheduled operations at 81 per hour (plus one unscheduled operation) between 6:00 am and 10:59 pm. However, on

April 6, 2016, the FAA published in the Federal Register a notice announcing a change in the designation of Newark Liberty from an International Air Transport Association Level 3 (slot controlled) to a Level 2 (schedule facilitated) airport effective October 30, 2016. The decision to designate Newark as a Level 2 airport was based on an updated demand and capacity analysis conducted by the FAA. The analysis identified significantly improved on-time/delay performance at the airport. Separate demand and capacity analyses were conducted for JFK and LaGuardia and the FAA has determined that Level 3 restrictions remain necessary for these airports. Therefore, the FAA will be extending the JFK and LaGuardia Orders that designate the airports as Level 3 slot-controlled airports until October 27, 2018.

This change at Newark Liberty, an airport heavily served by United Airlines, opens the possibility of additional service by other airlines and an increase in the overall airline seat capacity serving the New York City area O&D market. As such, it is possible that additional airline seat capacity serving the New York City market could draw passengers from LaGuardia, which caters heavily to New York City O&D passengers. Actual airline industry response and potential resulting growth at Newark Liberty is not yet known due to the recent nature of the rule change. However, for several reasons, a loss of passengers at LaGuardia due to increased capacity at Newark Liberty is likely to be minimal:

- LaGuardia and Newark Liberty O&D catchment areas differ: According to the PANYNJ's 2015 Air Traffic Report, approximately 31 percent of Newark Liberty O&D passengers originated in New York City, with the majority originating from New Jersey (54 percent). In contrast, approximately 84 percent of LaGuardia's O&D passengers originated in New York City, and approximately 10 percent more originated in Long Island and Connecticut. Less than 4 percent originated in New Jersey. This difference in the O&D catchment areas between the airports could indicate a barrier limiting the attractiveness that additional seat capacity at Newark Liberty presents as an alternative for passengers currently using LaGuardia. However, some passenger migration to Newark Liberty could occur.
- Many flight segments served from LaGuardia are unlikely to face direct competition by new Newark Liberty flying: Additional flying from Newark Liberty is likely to be added by non-network airlines, including Spirit, JetBlue, and Southwest. United Airlines currently operates at Newark Liberty and does not fully utilize the slots it holds, while Delta and American will likely continue to focus their New York City area operations on LaGuardia and JFK. Airlines likely to add new service from Newark Liberty will focus on operating in larger O&D markets that will be served using larger narrowbody aircraft, rather than initiating service to smaller close-in destinations using smaller aircraft. Southwest, Spirit, and JetBlue all operate aircraft with no less than 100 seats. Approximately 60 percent of the LaGuardia departures offered by Delta and American (combined) are operated in aircraft with 77 or fewer seats, and nearly 70 percent of destinations served by Delta and American (combined) were operated with aircraft averaging less than 77 seats. While the forecast of activity for LaGuardia assumes the use of larger aircraft over time, many of these destinations are served most profitably from New York City using smaller aircraft. Therefore, these destinations will not likely face direct competition from new Newark Liberty capacity using larger aircraft.
- Many destinations from LaGuardia that may face direct competition from new Newark Liberty capacity are resilient: Flight segments with the most potential to face direct competition from new Newark Liberty capacity were estimated. For those segments, two key metrics were evaluated to gauge each

segment's resilience to loss of O&D passenger traffic: the segment's O&D to connecting passenger ratio, and the segment's estimated profitability. Segments with high connecting passenger percentages, including passenger connections made at LaGuardia and those made in a downline hub (for example, a passenger flying from LaGuardia to ORD subsequently connecting in ORD to SFO), were categorized as resilient to new Newark Liberty capacity due to the ability of the airline to replace lost O&D passengers with more connecting passengers. Segments with high estimated profit margins were also categorized as resilient to new Newark Liberty capacity due to the ability of the airline to replace lost O&D passengers with new O&D passengers; likely with a lower yield, but still able to contribute to a positive profit margin.

In its forecast of airport activity, Oliver Wyman has accounted for the potential impact of passenger loss at LaGuardia and other area airports that may arise from the FAA's decision to change Newark's designation from a Level 3 to a Level 2 airport.

### *Stewart International Airport*

Stewart was the first commercial airport to be privatized under the FAA's pilot program in March 2000, when the New York State Department of Transportation entered into a 99-year lease agreement with National Express to operate the airport. In November 2007, the Port Authority purchased the rights to operate Stewart for the remaining 93-years of the lease. The airport is located in Newburgh/New Windsor, New York, approximately 60 miles north of New York City. Stewart occupies a 2,400-acre site at the intersection of the New York State Thruway (Interstate 87) and Interstate 84. Several bus companies link the airport with nearby rail stations from which service is offered to New York City's Grand Central Station and other regional destinations via Metro North and Amtrak. The airfield consists of two intersecting runways, the longest of which is 11,817 feet with the other measuring 6,004 feet in length. The terminal has seven passenger gates. The airport currently serves an average of seven flights per day to five nonstop destinations. Service at the Airport is provided by Allegiant Air, American, Delta, and JetBlue.

### *Other Airports in the Air Trade Area*

In addition to the Port Authority's airports, the New York City region is also served by Westchester County Airport in White Plains, New York, approximately 37 miles north of New York City, and Long Island MacArthur Airport in the Town of Islip, New York, approximately 54 miles east of New York City. Westchester County Airport is served by five scheduled airlines, American, Cape Air, Delta, JetBlue, and United. These airlines, or their regional affiliates, provide nonstop service to 15 destinations. Long Island MacArthur Airport is served by American and Southwest, which combined offer service to six nonstop destinations.

There is a risk to demand at LaGuardia from other airports increasing their shares of passengers. Any number of circumstances could affect the shares of activity among the airports. For example, growth in hubbing operations or an expansion of low-cost airline service at the other area airports could lead to share shifts among the airports. The distance from New York City to Stewart and the size of Westchester and Long Island MacArthur airports leaves these airports less likely to divert traffic from LaGuardia.

### 3.5.5 REGULATORY CONSTRAINTS AT LAGUARDIA

As discussed previously, two primary regulatory constraints currently affect air service at LaGuardia Airport, slot restrictions and the Perimeter Rule.

#### 3.5.5.1 Slot Restrictions

Slot restrictions were first implemented at the Airport in 1968 under the High Density Rule (HDR) to manage airspace congestion. These slots, or operating authorizations, as defined by the FAA, apply to both scheduled and unscheduled operations. To operate during a slot-controlled period, a flight requires a reservation, or slot. In 2000, this regulation was amended by Congress to require the FAA to issue two types of exemptions to these restrictions: (1) to promote competition by expanding services of new-entrant and limited incumbent airlines, and (2) to improve air service to smaller communities for airlines operating aircraft with fewer than 71 seats. After implementation of these changes, the actual number of scheduled operations at LaGuardia increased to more than 100 per hour at certain periods throughout the day, in excess of the 62 allowable scheduled operations under the HDR.

In response to significant congestion and delays caused by the increased operations, the FAA in 2000 introduced a lottery system to distribute a maximum of 75 slots per hour for scheduled operations. In 2009, the FAA further reduced the number of permissible scheduled operations to 71 per hour. While the FAA did not withdraw any slots in order to reach 71 per hour, it stated that it would retire any returned slots in order to reach that limit. Currently, slot restrictions at the Airport are in effect Monday through Friday between 6:00 a.m. and 9:59 p.m. and Sunday between noon and 9:59 p.m. local time. An airline's entire slot portfolio at the Airport is subject to an 80 percent minimum utilization. If an airline's total slot usage falls below 80 percent, the slots may become subject to FAA withdrawal.<sup>39</sup> Slots may also be sold, traded or otherwise exchanged among airlines.

#### 3.5.5.2 The Perimeter Rule

The Port Authority implemented the Perimeter Rule in its current form at LaGuardia in 1984. The purpose of the rule is to limit operations at the Airport to short-haul and medium-haul domestic destinations, and to direct long-haul activity to JFK and Newark Liberty. Service to Denver, flights operating on Saturdays and international airports with U.S. Customs and Border Protection preclearance facilities within the perimeter were exempted and grandfathered under the ruling.

Currently, the Perimeter Rule restricts service to nonstop domestic flights and international flights precleared by Federal Inspection Services only to and from points within 1,500 miles of LaGuardia.

### 3.5.6 INFLUENCE OF OTHER TERMINALS

The Airport's four passenger terminals may offer different cost structures, product quality, and access, and such differences may evolve in the future. In addition to the redevelopment of Terminal B, Delta is conducting a \$160 million renovation in Terminals C and D, described previously in Section 2 of this Report. Disparities in

---

<sup>39</sup> United States Government Accountability Office, *Slot-Controlled Airports: FAA's Rules Could be Improved to Enhance Competition and Available Capacity*, September 2012.

the cost, quality of facilities, or accessibility between the terminals may affect, positively or negatively, the future numbers of passengers and operations at Terminal B. However, it is anticipated that relatively minor differences will have little to no effect on air traffic activity at Terminal B.

The ability to accommodate traffic forecast at Terminal B elsewhere at the Airport is limited. Terminal A, designated a historic landmark, can accommodate six aircraft gate positions. Terminals C and D provide 21 and 10 parking positions respectively. Given Delta's plans to renovate Terminals C and D and potentially rebuild them completely, it is unlikely Terminal B airlines could re-locate to Terminals C or D. Delta would not likely provide a significant amount of gate capacity to competitors, particularly in a desirable market such as New York. The ability to build an alternative facility, such as a low-cost terminal, has not been evaluated but would likely be challenging. Significant expense would be likely given the limited available land at the Airport and the surrounding limitations such as the Grand Central Parkway, East River and Flushing Bay.

---

## 3.6 Forecasts of Aviation Activity

---

Forecasts of aviation demand at the Airport in total and, specifically at Terminal B (i.e., enplaned passengers and aircraft operations) were developed by Oliver Wyman<sup>40</sup> in April 2016 for the period 2015 through 2050. These forecasts are being used in the financial analysis discussed in Section 4 of this Report. The following subsections provide an overview of the methodologies and assumptions used by Oliver Wyman and the forecast results.

The process to forecast future activity at LaGuardia began with a top-down methodology used to forecast total unconstrained passenger demand for the New York City area, and then apportion passengers among the area airports, considering historical New York City airport shares and historical trends in those shares, and subsequently among terminals at LaGuardia.

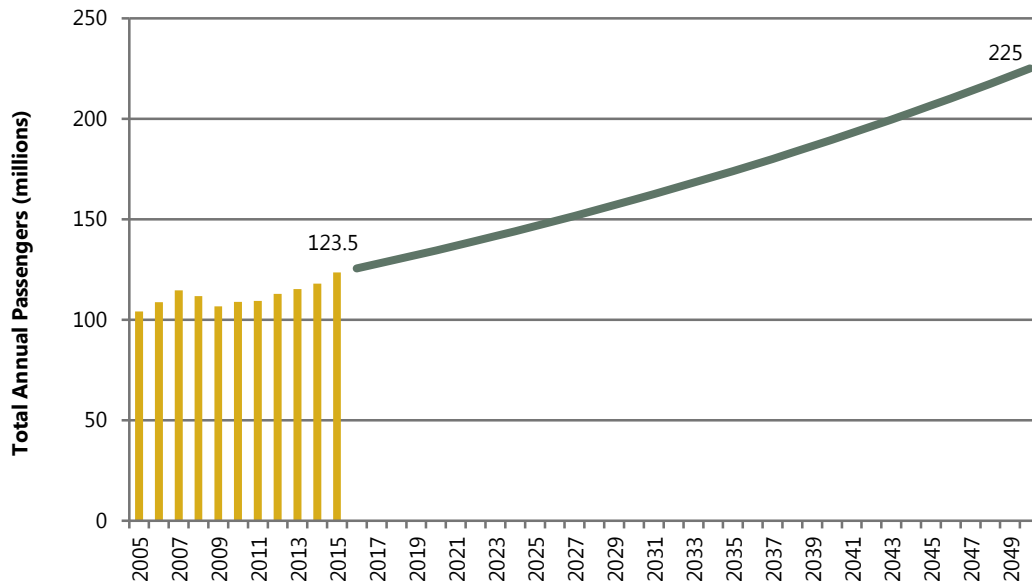
### 3.6.1 NEW YORK CITY TOTAL PASSENGER FORECAST

The forecast of total New York City area unconstrained passenger demand was derived through econometric modeling that identified a causal relationship, in the form of a regression equation, between total historical New York City area passengers (both O&D and connecting passengers) and U.S. GDP. Historical data between 1991 and 2015 were analyzed, but a period following the September 11, 2001, terrorist attacks was excluded to avoid distortions caused by correlating abnormal traffic volumes during that period with socioeconomic drivers of demand. An independent projection of U.S. GDP was used in conjunction with the regression equation to forecast future demand. **Exhibit 3-11** illustrates the unconstrained aggregate total passenger forecast for the New York City area airports.

---

<sup>40</sup> Oliver Wyman, *Traffic Forecast for CTB / LaGuardia Airport*, April 2016.

**Exhibit 3-11: Forecasts of Total Passengers at New York City Area Airports**



SOURCE: Oliver Wyman *Traffic Forecast for CTB / LaGuardia Airport*, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

Based on the projection of U.S. GDP used by Oliver Wyman, the number of total annual passengers at New York City area airports is forecast to increase from approximately 123.5 million in 2015 to approximately 225 million in 2050, at a compound annual growth rate of 1.7 percent.

### 3.6.2 LAGUARDIA AIRPORT PASSENGER AND OPERATIONS FORECASTS

Aggregate unconstrained passenger growth was apportioned across New York City area airports considering historical shares and share trends. The LaGuardia share of total passenger traffic has declined over the historical period analyzed (as illustrated in Table 3-10), and future shares were modeled accordingly.

The total unconstrained demand apportioned across the area’s six airports was subsequently refined in consideration of regulatory and airport capacity constraints. Airport capacity constraints are typically defined either in terms of total passenger volumes or annual air traffic movements that the airport can accommodate. In modeling airport constraints, Oliver Wyman has accounted for the potential of accelerated share loss at both LaGuardia and JFK due to the announced removal of slot restrictions at Newark Liberty Airport in October 2016.

Unconstrained airport demand was compared with airport capacity (based on airside/air traffic movements and terminal capacity/passenger constraints) to determine spill-over traffic. Spill-over traffic resulting from individual New York City airports was modeled and either recaptured at other airports with surplus capacity or partially lost, especially for short-haul markets, to alternate modes of transportation such as trains and buses.

Assumptions related to constraints specifically at LaGuardia are as follows:

- The Airport's Perimeter Rule remains in place.
- The Airport was assumed to continue to be constrained by hourly slot restrictions, currently at today's 71 scheduled operations and 3 unscheduled operations per hour.
- The passenger capacity for New Terminal B at LaGuardia will be 21 million annual passengers<sup>41</sup>.

If the Perimeter Rule is amended or eliminated, it is possible that numbers of enplaned passengers at the Airport could be higher than forecast. Passengers currently flying to destinations outside of the perimeter from JFK or Newark Liberty (for example, those shown earlier in Table 3-17) may shift to LaGuardia. The aircraft that would operate these routes are likely to be among the larger aircraft currently operating at the Airport, allowing for higher seat densities per landing/takeoff slot. If the number of available slots increases, growth may occur during peak periods. It is unknown if the growth would be incremental growth or a shift from off-peak periods.

Based on specific fleet mix forecasts provided through 2022 by Oliver Wyman for certain airlines, and considering slot constraints at the Airport, it is expected that passenger growth at the Airport will be accommodated primarily by larger aircraft. The forecast also assumes that limited passenger growth will occur from additional flights, either through more efficient use of peak-hour slots or through additional flying in off-peak hours. This is further illustrated by the forecast growth in passengers per operation, as shown later in this section.

The forecast of LaGuardia-specific activity and the 2015 FAA *Terminal Area Forecast* (TAF) for the Airport are provided in **Table 3-21** and **Exhibits 3-12** and **3-13**.

The number of enplaned passengers at LaGuardia is forecast by Oliver Wyman to increase from approximately 14.3 million (excluding nonrevenue passengers) in 2015 to approximately 18.7 million in 2050, at a compound annual growth rate of 0.8 percent. Total aircraft operations, or air traffic movements, at the Airport are forecast to increase from 360,274 in 2015 to approximately 390,200 in 2050, at a compound annual growth rate of 0.2 percent.

The 2015 FAA TAF<sup>42</sup>, which provides forecasts of enplaned passengers and air traffic movements through 2040, reflects a compound annual growth rate for enplaned passengers of 0.6 percent through 2040, less than the 0.9 percent forecast by Oliver Wyman during the same period. Similar to the Oliver Wyman forecast, the TAF excludes nonrevenue passengers. The TAF forecasts air traffic movements to increase at a compound annual growth rate of 0.2 percent, the same as forecast by Oliver Wyman through 2040.

---

<sup>41</sup> As determined by Oliver Wyman and presented in *Traffic Forecast for CTB / LaGuardia Airport*, April 2016.

<sup>42</sup> The FAA TAF is forecast on a Federal fiscal year basis (October through September), whereas the Oliver Wyman forecast was presented on a calendar year basis.

**Table 3-21: Forecasts of Total Airport Activity**

YEAR	HISTORICAL INCLUDING NONREVENUE PASSENGERS <sup>1/</sup>		OLIVER WYMAN FORECASTS <sup>2/</sup>		2015 FAA TAF <sup>3/</sup>		VARIANCE (FORECAST VS TAF)	
	ENPLANED PASSENGERS	AIR TRAFFIC MOVEMENTS	ENPLANED PASSENGERS	AIR TRAFFIC MOVEMENTS	ENPLANED PASSENGERS	AIR TRAFFIC MOVEMENTS	ENPLANED PASSENGERS	AIR TRAFFIC MOVEMENTS
<b>Historical</b>								
2005	13,352,514	400,871	12,955,921	400,871	13,084,741	408,991	-1.0%	-2.0%
2006	13,283,106	399,950	12,902,834	399,950	12,922,736	405,428	-0.2%	-1.4%
2007	12,900,131	391,547	12,534,208	391,547	12,664,117	401,410	-1.0%	-2.5%
2008	11,959,080	378,908	11,568,204	378,908	11,863,918	390,528	-2.5%	-3.0%
2009	11,471,297	354,388	11,127,840	354,388	10,935,010	358,995	1.8%	-1.3%
2010	12,381,532	361,616	12,012,088	361,616	11,799,855	364,652	1.8%	-0.8%
2011	12,492,652	365,870	12,079,001	365,870	12,022,036	370,187	0.5%	-1.2%
2012	13,336,136	369,989	12,871,014	369,989	12,638,561	376,519	1.8%	-1.7%
2013	13,879,803	370,861	13,402,568	370,861	13,226,108	371,440	1.3%	-0.2%
2014	14,009,778	360,834	13,507,742	360,834	13,324,196	370,375	1.4%	-2.6%
2015	14,722,411	360,274	14,294,461	360,274	13,898,144	369,424	2.9%	-2.5%
<b>Forecast</b>								
2016			14,470,393	362,475	13,779,173	370,964	5.0%	-2.3%
2017			14,637,190	363,657	14,174,984	378,748	3.3%	-4.0%
2018			14,817,429	365,132	14,541,945	384,736	1.9%	-5.1%
2019			14,854,406	365,966	14,584,447	387,324	1.9%	-5.5%
2020			14,994,735	368,177	14,638,588	387,324	2.4%	-4.9%
2021			15,148,355	370,390	14,685,212	387,324	3.2%	-4.4%
2022			15,301,964	372,588	14,711,677	387,324	4.0%	-3.8%
2023			15,455,453	373,275	14,719,817	387,324	5.0%	-3.6%
2024			15,608,841	373,924	14,727,487	387,324	6.0%	-3.5%
2025			15,748,101	374,209	14,743,376	387,324	6.8%	-3.4%
2030			16,410,774	376,076	14,935,273	387,324	9.9%	-2.9%
2035			17,118,267	378,752	15,444,664	387,324	10.8%	-2.2%
2040			17,795,558	382,153	16,007,177	387,324	11.2%	-1.3%
2045			18,223,791	386,330				
2050			18,660,816	390,183				
<b>Compound Annual Growth Rate</b>								
2005 - 2015	1.0%	(1.1%)	1.0%	(1.1%)	0.2%			
2015 - 2040			0.9%	0.2%	0.6%	0.2%		
2015 - 2050			0.8%	0.2%	N/A	N/A		

NOTES: N/A = Not Available

Slight variations in 2014 data may exist between the Port Authority and Oliver Wyman because of differences in the methodologies used to apportion enplaned passengers.

1/ The Port Authority enplaned passenger numbers include nonrevenue passengers.

2/ The Oliver Wyman historical and forecast values were developed excluding nonrevenue passengers.

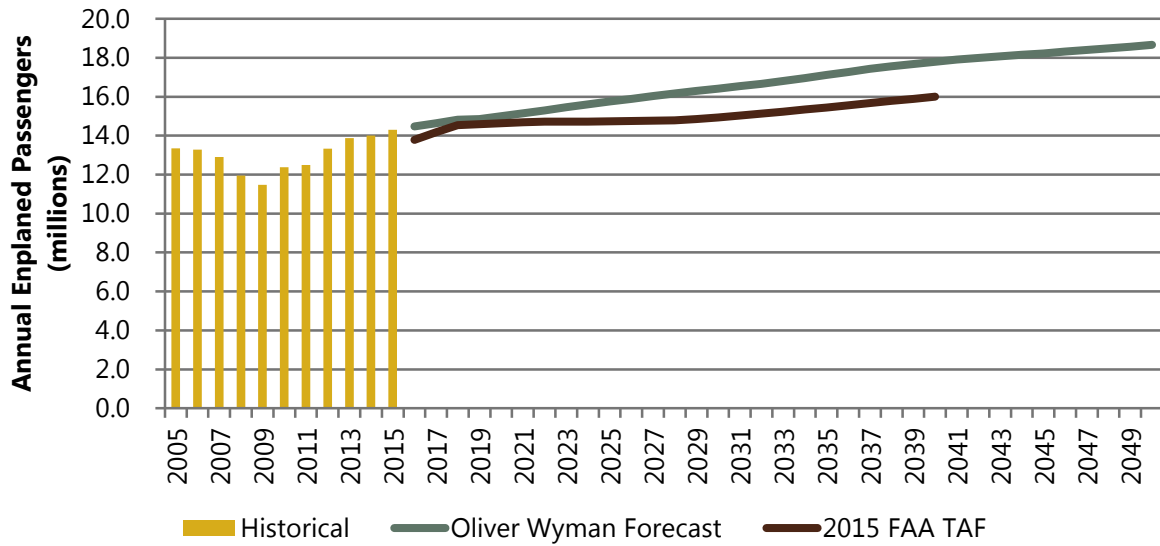
3/ The FAA *Terminal Area Forecast* is presented on a federal fiscal year basis (October through September) and excludes nonrevenue passengers.

SOURCES: Oliver Wyman, April 2016; The Port Authority of New York and New Jersey, *Airport Traffic Report*, April 2016; Federal Aviation Administration, *2015 Terminal Area Forecast*; April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.



**Exhibit 3-12: Comparison of Forecasts of Total Airport Enplaned Passengers**

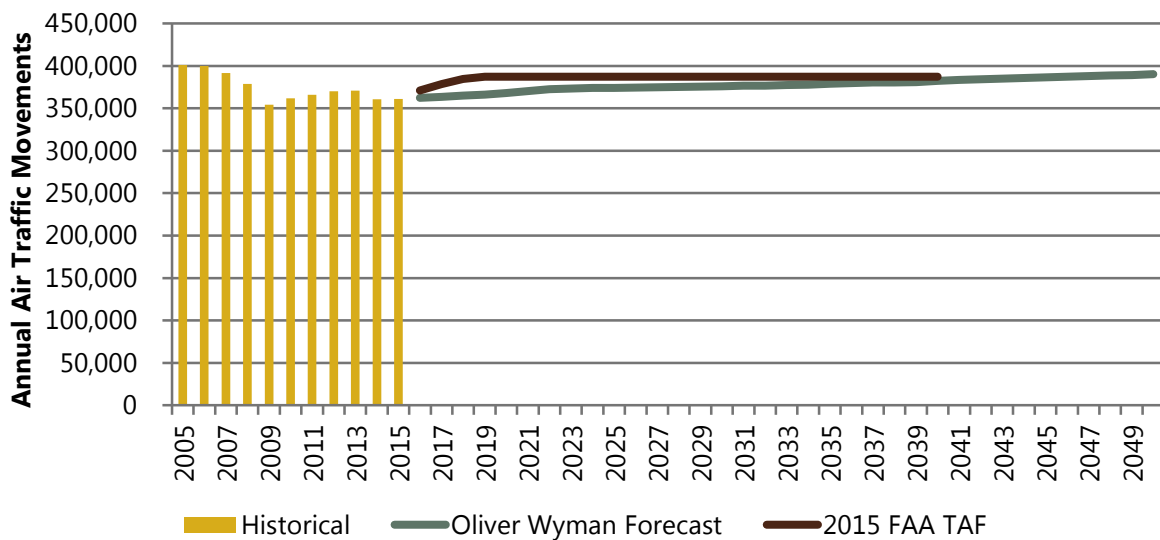


NOTE: The FAA Terminal Area Forecast is presented on a federal fiscal year basis (October through September) and excludes nonrevenue passengers.

SOURCES: Oliver Wyman, April 2016; The Port Authority of New York and New Jersey, *Airport Traffic Report*, April 2016; Federal Aviation Administration, *2015 Terminal Area Forecast*; January 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Exhibit 3-13: Comparison of Forecasts of Total Airport Air Traffic Movements**



NOTE: The FAA Terminal Area Forecast is presented on a federal fiscal year basis (October through September) and excludes nonrevenue passengers.

SOURCES: Oliver Wyman, April 2016; The Port Authority of New York and New Jersey, *Airport Traffic Report*, April 2016; Federal Aviation Administration, *2015 Terminal Area Forecast*; January 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

### 3.6.3 TERMINAL B ACTIVITY FORECAST

Total apportioned passenger demand for LaGuardia was further allocated among terminals using historical terminal share information. Terminal-related constraints affecting the accommodation of passengers were not taken into account, as it was assumed that redevelopment at the Airport could mitigate those constraints.

Air traffic movement growth required to accommodate additional numbers of enplaned passengers was derived through a combination of assumptions concerning average aircraft seat capacity growth and additional hourly capacity growth over the forecast period.

The forecast assumes, based upon published airline fleet plans and corroborated through direct discussions with the airlines, that the average size of aircraft operating at Terminal B will continue to increase, similar to the average aircraft size at Airport as a whole. It is expected that widebody aircraft may operate at New Terminal B on a limited basis in the future.

**Table 3-22** provides the Terminal B-specific activity forecasts.

The number of enplaned passengers at Terminal B is forecast to increase from approximately 7.2 million at Existing Terminal B in 2015 to approximately 9.9 million in 2050, at a compound annual growth rate of 0.9 percent. The number of air traffic movements is forecast to increase from 148,989 in 2015 to approximately 194,500 in 2050, at a compound annual growth rate of 0.8 percent. The percentage of passengers enplaned at Terminal B relative to the Airport total is forecast to grow from 50.1 percent in 2015 to 53.2 percent in 2050. Similarly, the percentage of total Airport air traffic movements at Terminal B is forecast to grow from 41.4 percent in 2015 to 49.8 percent in 2050.

Currently, American Airlines has operations in Existing Terminal B, and through a sublease between legacy US Airways and Delta, certain operations in Terminal C. The forecast assumes American will co-locate its legacy US Airways operations from Terminal C to New Terminal B by January 1, 2023. To accommodate the co-location of all American Airlines' operations in Terminal B, the operations of three airlines—Frontier Airlines, Spirit Airlines, and Virgin America—will have to be relocated from Terminal B to other LaGuardia terminal buildings prior to or on January 1, 2023. The forecast assumes that the relocation of American Airlines to Terminal B, and the relocation of the three airlines from Terminal B to other LaGuardia terminals will occur contemporaneously.

It is the current expectation of the Port Authority of New York and New Jersey that through ongoing discussions with Delta Air Lines, the Port Authority will be successful in relocating the operations of the three airlines mentioned above from Terminal B to other LaGuardia terminal buildings, including Terminal C, prior to, or on, January 1, 2023.

As a result of co-location, enplaned passengers at Terminal B are forecast to increase from approximately 7.7 million enplaned passengers, or 50.3 percent of total airport enplaned passengers in 2022 to approximately 8.2 million enplaned passengers, or 53.2 percent of total airport enplaned passengers in 2023. Total air traffic movements at Terminal B are forecast to grow from 153,800 in 2022 to 186,000 in 2023 and the average number of passengers per departure is forecast to decline from 100.1 in 2022 to 88.4 in 2023. By replacing Frontier Airlines, Spirit Airlines, and Virgin America, each of which operates a fleet exclusively comprised of mainline aircraft, with American Airlines which operates a combination of mainline and regional aircraft, the number of seats per departure at Terminal B is expected to decrease after co-location, and operations will increase to accommodate the additional passenger volumes.

**Table 3-22: Forecasts of Total Airport and Terminal B Activity**

YEAR	OLIVER WYMAN FORECAST OF AIRPORT			OLIVER WYMAN FORECAST OF TERMINAL B			TERMINAL B AS A PERCENTAGE OF AIRPORT		
	ENPLANED PASSENGERS <sup>1/</sup>	AIR TRAFFIC MOVEMENTS	NUMBER OF PASSENGERS PER DEPARTURE	ENPLANED PASSENGERS <sup>1/</sup>	AIR TRAFFIC MOVEMENTS <sup>2/</sup>	NUMBER OF PASSENGERS PER DEPARTURE	ENPLANED PASSENGERS	AIR TRAFFIC MOVEMENTS	NUMBER OF PASSENGERS PER DEPARTURE
<b>Historical</b>									
2010	11,470,857	361,616	63.44	6,290,917	N/A	N/A	54.8%	N/A	N/A
2011	12,381,079	365,870	67.68	6,368,523	151,790	83.9	51.4%	41.5%	124.0%
2012	12,492,093	369,989	67.53	6,472,353	158,924	81.5	51.8%	43.0%	120.6%
2013	13,335,283	370,861	71.92	6,569,149	155,490	84.5	49.3%	41.9%	117.5%
2014	13,507,810	360,834	72.81	6,767,583	150,312	86.8	50.1%	41.3%	119.3%
2015	14,294,461	360,274	79.35	7,159,284	148,989	96.1	50.1%	41.4%	121.1%
<b>Forecast</b>									
2016	14,470,393	362,475	79.84	7,247,399	149,588	96.9	50.1%	41.3%	121.4%
2017	14,637,190	363,657	80.50	7,330,938	150,076	97.7	50.1%	41.3%	121.4%
2018	14,817,429	365,132	81.16	7,421,210	150,684	98.5	50.1%	41.3%	121.4%
2019	14,854,406	365,966	81.18	7,447,156	151,029	98.6	50.1%	41.3%	121.5%
2020	14,994,735	368,177	81.45	7,525,007	151,941	99.1	50.2%	41.3%	121.6%
2021	15,148,355	370,390	81.80	7,609,674	152,855	99.6	50.2%	41.3%	121.7%
2022	15,301,964	372,588	82.14	7,698,315	153,761	100.1	50.3%	41.3%	121.9%
2023	15,455,453	373,275	82.81	8,226,165	186,051	88.4	53.2%	49.8%	106.8%
2024	15,608,841	373,924	83.49	8,307,805	186,374	89.2	53.2%	49.8%	106.8%
2025	15,748,101	374,209	84.17	8,381,927	186,517	89.9	53.2%	49.8%	106.8%
2030	16,410,774	376,076	87.27	8,734,635	187,447	93.2	53.2%	49.8%	106.8%
2035	17,118,267	378,752	90.39	9,111,198	188,781	96.5	53.2%	49.8%	106.8%
2040	17,795,558	382,153	93.13	9,471,686	190,476	99.5	53.2%	49.8%	106.8%
2045	18,223,791	386,330	94.34	9,699,613	192,558	100.7	53.2%	49.8%	106.8%
2050	18,660,816	390,183	95.65	9,932,219	194,478	102.1	53.2%	49.8%	106.8%
<b>Compound Annual Growth Rate</b>									
2010 - 2015	4.5%	(0.1%)		2.6%	N/A				
2015 - 2050	0.8%	0.2%		0.9%	0.8%				

NOTES: N/A = Not Available

Slight differences in 2014 data may exist between the Port Authority and Oliver Wyman because of differences in the methodologies use to apportion enplaned passengers. Terminal specific data were unavailable prior to 2010.

1/ Historical and forecast enplaned passengers exclude nonrevenue enplaned passengers.

2/ Historical air traffic movements at Existing Terminal B were developed using published schedules; data for 2010 were unavailable.

SOURCES: Oliver Wyman, April 2016; The Port Authority of New York and New Jersey, *Airport Traffic Report*, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

As discussed in Section 3.5.6, it should be noted that unexpected significant disparities in cost, quality, management, or access among the Airport's terminals may result in higher or lower shares of activity at Terminal B.

Activity forecasts underlying the financial analysis provided in Chapter 4 of this Report reflect the Oliver Wyman forecasts and a compound annual growth rate of 0.9 percent in enplaned passengers from 2015 to 2050. The FAA *Terminal Area Forecast* growth in numbers of enplaned passengers at the Airport reflects a compound annual growth rate of 0.6 percent for 2015 through 2040. While the forecast growth rate is higher than forecast by the FAA, it is less than the 1.4 percent compound annual growth experienced over the 24-year historical period from 1991 through 2015. R&A has reviewed the activity forecast completed by Oliver Wyman, including the assumptions described in this Report, and finds the compounded annual growth of 0.9 percent from 2015 to 2050 reasonable. It is important to note that actual results may differ from the forecasts. A sensitivity analysis included in Chapter 4 demonstrates the effect of a 10 percent reduction in activity from the Oliver Wyman projections for enplaned passengers.

## 4. Financial Analysis

This chapter describes the financial framework of LGP, the cost and other financial implications following the commercial and financial close of the Series 2016 Project and the issuance of the Series 2016 Bonds. Projections of Operating and Maintenance (O&M) Expenses; asset repair and replacement costs; Terminal B Concession and other Non-airline Revenues; Project Revenues and Port Authority Funding, which may include PFC Revenues; and Debt Service are described in the chapter. The reasonableness of Terminal B user fees, including cost per enplaned passenger, and Debt Service coverage on the Series 2016 Bonds are also discussed. Projections of financial information presented in this Report begin in June 2016, after the assumed financial close. The projections shown for Fiscal Year (FY) 2016 reflect the seven months of the year after the anticipated execution of the Lease Agreement. All financial projection tables are included as **Appendix A** to this Report.

---

### 4.1 Financial Framework

---

The Airport is owned by the City, and the Port Authority has operated the Airport under a lease with the City (Basic Lease) since 1947. The Basic Lease was most recently amended and restated in November 2004, with a term extending through December 31, 2050. In addition to establishing rental payments due from the Port Authority to the City, the Basic Lease provides the Port Authority the right to enter into subleases to develop facilities at the Airport. Exhibit 1-1 in Chapter 1 presents the contractual framework of the Project. LGP's FY ends December 31<sup>st</sup>.

#### 4.1.1 THE LEASE AGREEMENT

The Lease Agreement between the Port Authority and LGP sets forth the rights and obligations of LGP and the Port Authority with respect to the design, construction, commissioning, operation, and maintenance of Terminal B. The Lease Agreement is the principal contract that LGP will enter into with the Port Authority.

LGP will pass down construction obligations incurred under the Lease Agreement through the Design-Build Agreement with the Design-Builder. The Design-Build Agreement sets forth the terms and conditions for the design and construction of the redevelopment of Terminal B. LGP's intent is that all significant areas of construction risk during the construction period will be transferred to the Designer-Builder.

LGP will be responsible for managing the operation of Terminal B for the duration of the Project term. LGP will enter into an MSA with Vantage Airport Group (New York) Management Ltd. (the Manager), under which the

Manager will provide LGP with certain management and support services related to the operations and maintenance work. The Term of the Lease Agreement between LGP and the Port Authority is defined in Article 2 of the Lease as commencing on the Lease Commencement Date and expiring on the earlier of (a) 11:59 p.m. New York City time on the 30<sup>th</sup> day of December 2050, or upon the termination of the Basic Lease (the Expiry Date), or (b) the Early Termination Date. The Basic Lease between the City and the Port Authority is scheduled to expire the day following the scheduled Lease Agreement end date, December 31, 2050. The Early Termination Date is defined as a date of Termination determined for any reason prior to the Expiry Date.

#### 4.1.2 RENTS UNDER THE LEASE

Under the Lease, LGP agrees to pay, fund, or apply rentals and other amounts as follows:

- i. To pay Permitted O&M Expenses as and when such amounts become due and payable. These expenses will be paid senior and prior to the payment of any Lessee Debt or debt service;
- ii. From the Lease Commencement Date to the earlier of December 31, 2019, or the date on which the O&M Period commences (the Building Rent Period), pay the Port Authority a rental equal to \$15,000,000 per annum (the "Building Rent");
- iii. From the earlier of January 1, 2020, or the commencement of the O&M Period, pay the Port Authority a rental equal to \$15,000,000, as adjusted by the greater of (1) a percentage composed of the Consumer Price Index (CPI) Percentage Increase (not to exceed 6 percent in any Calendar Year) or (2) 2 percent per annum (the "Ground Rent" and, together with the Building Rent, the "Base Rent"); and
- iv. In the event that the Lessee enters into a Leasehold Mortgage, pay the Port Authority \$500,000 for each such mortgage on each Calendar Year in which Substantial Completion shall occur until all amounts have been released (the "First Additional Rent");

Payments under subsection iv above are expected as a Leasehold Mortgage is anticipated. The Base Rent, First Additional Rent, or any other sums will not be paid more than one month in advance of the due date thereof. The occurrence or continuation of a Force Majeure Event will not excuse the Lessee from the payment of Base Rent or First Additional Rent.

#### 4.1.3 CONSORTIUM FRAMEWORK

LGP will assume the operating and maintenance responsibilities of Existing Terminal B from the Port Authority on the Lease Commencement Date. The Manager will provide certain management services to LGP under the MSA, and the Manager will implement an operational readiness and transition plan to ensure the smooth transition of operations and maintenance from the Port Authority to LGP.

---

## 4.2 Existing Terminal B Airline Use Agreement

---

The Existing Terminal B Airline Subleases between the Port Authority and the current airline users of Existing Terminal B expired on December 31, 2015, and such airlines have since been operating at Existing Terminal B as holdover tenants. The Port Authority and such airlines have negotiated Extension Agreements that would extend the term of the Existing Terminal B Airline Subleases for six years, and increase certain Existing

Terminal B airline revenues. The extent to which such Extension Agreements will be fully executed and in place by the date of issuance of the Series 2016 Bonds, however, is uncertain. For purposes of the financial projections presented in this Report, it is assumed that the provisions of the Existing Terminal B Airline Subleases are in effect and airlines revenues include increases between 2 to 3 percent per year. As airlines in Existing Terminal B are relocated for construction or other purposes, LGP will assume responsibility for those facilities. As New Terminal B facilities become available, airlines operating in Existing Terminal B will transition to New Terminal B and will no longer pay rates and charges for vacated Existing Terminal B facilities.

Once an airline has fully transitioned to New Terminal B, the Existing Terminal B Airline Use Agreement will be terminated with that airline and the airline will start to pay New Terminal B rates and charges, and occupy and use New Terminal B facilities under new business arrangements.

---

## 4.3 New Terminal B Airline Use Agreement

---

A New Terminal B Use Airline Agreement, which will formalize the rights and responsibilities of the Airline Parties and LGP, is currently under discussion between LGP and the airlines. If an agreement is not reached and executed, LGP expects to set rates by tariff similar to the methodology assumed in the financial analysis presented in this Report. The New Terminal B Airline Use Agreement will set forth LGP's financial and operational arrangement with the airline tenants of New Terminal B that are signatory to the agreement (the Airline Parties).

Although a New Terminal B Use Agreement has not yet been executed, for purposes of this Report, a commercial compensatory methodology for New Terminal B was assumed, whereby an average rental rate for New Terminal B is calculated based on total revenue-producing rentable space in New Terminal B. An average rental rate is derived to apply to airline lounges, offices, and other airline exclusive use spaces as well, and will be used as a cost requirement to calculate other area fees. Other charges to the airlines are anticipated to include: ticket counter fees and rents, outbound baggage system fees, bag claim fees, holdroom and loading bridge charges, terminal apron fees, fueling system fees and remain overnight aircraft parking fees. Additional information is provided in Section 4.9.

---

## 4.4 Operating and Maintenance Expenses

---

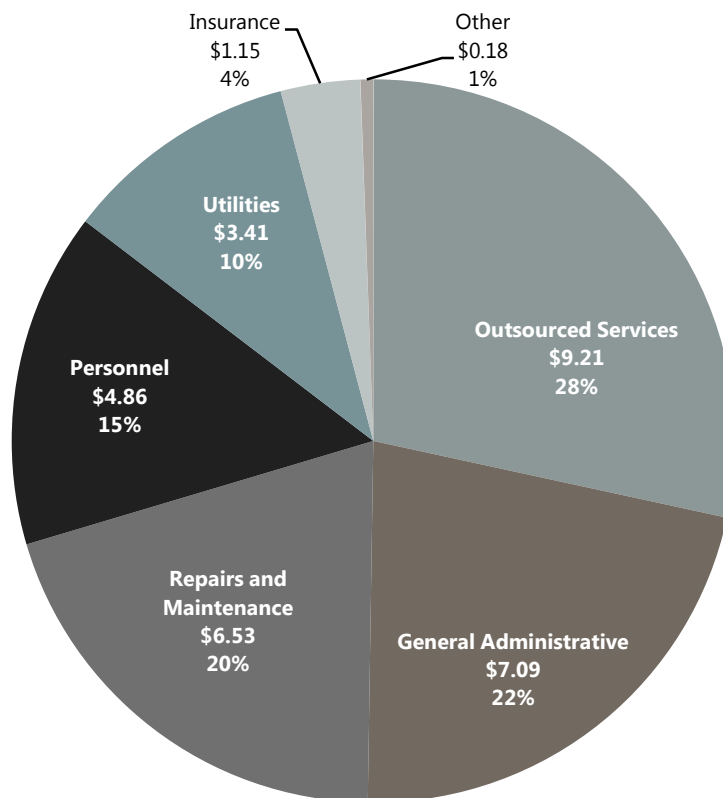
O&M Expenses include those expenses incurred by LGP related to operating and maintaining Existing Terminal B and New Terminal B during the term of the Lease. Additionally, O&M Expenses include costs associated with the CHRP and within the Lease Agreement boundary of the apron. O&M Expenses do not include costs directly incurred by the airlines, costs directly incurred by the concessionaires, Port Authority costs not charged back to LGP, or costs associated with the New Improvements or Central Hall. O&M Expenses are classified into the following categories:

- Personnel
- Repairs and Maintenance

- Outsourced Services
- Utilities
- General Administrative Expenses
- Base Rent
- Management Fees
- Other

The breakdown of estimated FY 2016 O&M Expenses for Existing Terminal B by category is presented on **Exhibit 4-1**. Projected O&M Expenses for both Existing Terminal B and New Terminal B are presented in Table A-1 in Appendix A at the end of this Report. Estimated O&M Expenses for FY 2016 serve as base year expenses from which future O&M Expenses were projected. O&M Expense projections are based on the type of expense, expectation of future inflation rates, and the anticipated phasing related to the redevelopment of Terminal B.

**Exhibit 4-1: Breakdown of Estimated 2016 Existing Terminal B Operating and Maintenance Expenses (millions)**



SOURCES: Societe Generale and Ricondo & Associates, Inc., April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

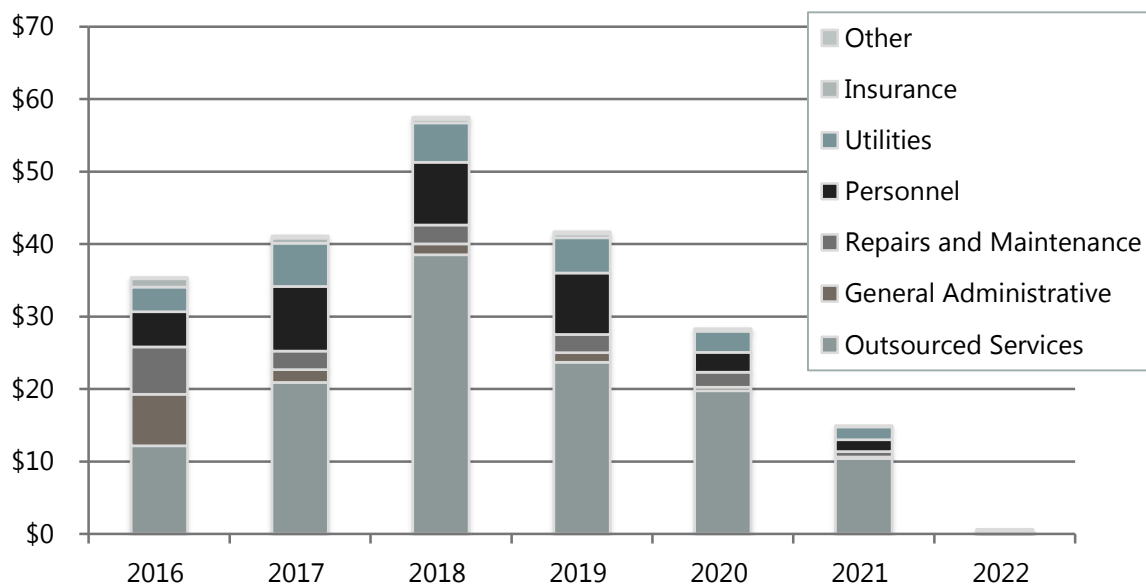


#### 4.4.1 EXISTING AND NEW TERMINAL B

O&M Expense projections for Existing Terminal B are based on the type of expense, expectations of future inflation, and the anticipated phasing of the closure of Existing Terminal B. Existing Terminal B O&M Expenses are projected to increase from \$32.4 million in FY 2016 to \$36.1 million in FY 2017, then to increase to \$43.2 million in FY 2018 as additional O&M Expenses are incurred when beneficial occupancy of some Project phases is achieved, and then to decrease through FY 2021 as portions of Existing Terminal B are closed. The final year O&M Expenses would be incurred in Existing Terminal B is FY 2022, when such expenses are projected to be \$0.5 million, with the anticipated closure of Existing Terminal B in 2022.

**Exhibit 4-2** presents projected O&M Expenses for Existing Terminal B through the construction of New Terminal B.

**Exhibit 4-2: Projected Existing Terminal B Operating and Maintenance Expenses (millions)**

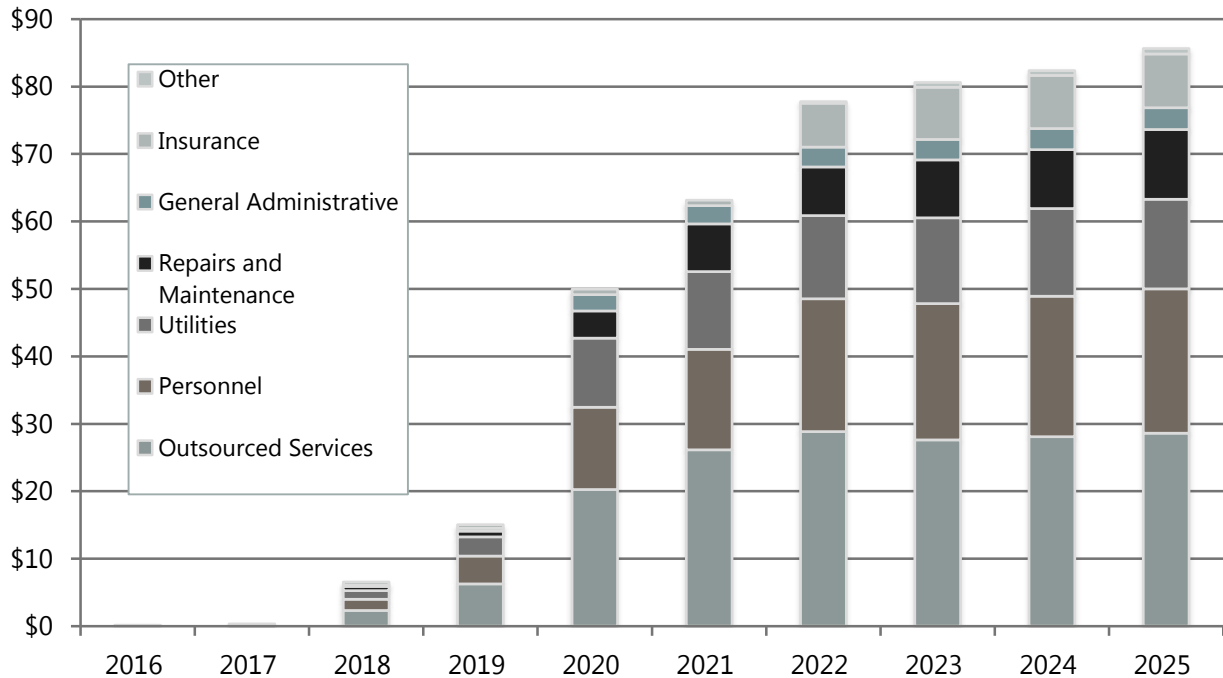


SOURCES: Societe Generale; Vantage Airport Group Ltd.; Ricondo & Associate, Inc., April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

O&M Expense projections for New Terminal B are based on the type of expense, expectations of future inflation, and the anticipated phasing of the redevelopment of Terminal B. New Terminal B O&M Expenses are projected to increase from \$6.5 million in FY 2018 to \$80.6 million in FY 2023, the anticipated first full year of New Terminal B operations. O&M Expenses for New Terminal B are then projected to increase at a compound annual growth rate of 3.3 percent between FY 2022 and FY 2025 to \$85.6 million in FY 2025.

**Exhibit 4-3** presents the projected O&M Expenses for New Terminal B.

**Exhibit 4-3: Projected New Terminal B Operating and Maintenance Expenses (millions)**



SOURCES: Societe Generale; Vantage Airport Group Ltd.; Ricondo & Associate, Inc., April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

#### 4.4.2 O&M EXPENSE CATEGORIES

The categories of O&M Expenses listed above are discussed in the following subsections.

##### 4.4.2.1 Personnel

O&M Expenses related to personnel include base salary, benefits, bonuses (short-term and long-term incentive programs), overtime, leave, and employer-paid taxes. Upon the financial close of the Project, personnel expenses currently incurred by the Port Authority for Existing Terminal B will not be transferred from the Port Authority to LGP. Personnel expenses shown for Existing and New Terminal B are related to staff hired by LGP. To account for training of new staff, an expense is included in the Existing Terminal B administrative expenses category, which accounts for retaining Port Authority staff for a period of 3 months. The allocation of personnel expenses between Existing Terminal B and New Terminal B is based on the proportions of operational terminal square footage.

The project management team, including the executive level Project Manager position, are assumed to exist during the construction of New Terminal B, and then to be eliminated after the completion of New Terminal B. In addition to the project management team, a portion of all the time for other staff will be focused on construction coordination-related activities.

Table A-1 in Appendix A of this Report presents annual personnel expenses during the Projection Period. Personnel expenses for Existing Terminal B are projected to be \$4.8 million for 7 months of FY 2016, \$8.9 million in FY 2017, \$8.6 million in FY 2018, and then to decrease steadily to \$1.6 million in FY 2021, attributable to the decrease in Existing Terminal B square footage as New Terminal B square footage becomes operational. Personnel expenses for Existing Terminal B are projected to be incurred for the last time in FY 2021.

Personnel costs for the New Terminal B are projected to be approximately \$1.6 million in FY 2018 (a partial year) and to increase through the Projection Period to approximately \$21.4 million in FY 2025. Personnel expenses for New Terminal B are projected to increase 2.8 percent annually from FY 2022 through FY 2025, attributable primarily to wage increases and long-term incentive program payments.

#### 4.4.2.2 Repairs and Maintenance

LGP will maintain common systems and assets associated with Existing Terminal B. The airlines maintain airline-specific systems and assets, including passenger loading bridges (except at Gates B4 and B5, which are owned by the Port Authority), airline-specific mechanical systems, holdroom fixtures, the Flight Information Display System (FIDS), and kiosks. In projecting O&M Expenses, the maintenance of any airline assets was not assumed. While the maintenance of certain mechanical system components maintained by the airlines is included in the O&M Expense projections, the costs are not believed to be material.

In addition to routine repair and maintenance expenses while Existing Terminal B remains operational, a one-time \$5 million expense is included for initial improvements to enhance the customer experience in Existing Terminal B upon take-over by LGP. The \$5 million was assumed to be spread evenly over the last 7 months of FY 2016. Repair and maintenance expenses are projected to decrease as portions of Existing Terminal B are taken offline.

Repair and maintenance expenses for New Terminal B include materials and supplies. In New Terminal B, LGP will maintain all common-use systems and assets. Certain charges or fees may be imposed on airlines or concessionaires for specific costs, but the expenses will be incurred by LGP and not directly by the airlines and are, therefore, included in repair and maintenance O&M Expenses.

Repair and maintenance expenses for New Terminal B are projected to begin to be incurred in FY 2017, and will increase as portions of New Terminal B are anticipated to become operational. Repair and maintenance expenses in New Terminal B are projected to increase from \$87,000 in FY 2017 to approximately \$8.6 million in FY 2023, then increase at a compound annual growth rate of 9.7 percent from FY 2023 (the anticipated first full year of expenses after the completion of New Terminal B) through FY 2025 to \$10.3 million.

#### 4.4.2.3 Outsourced Services

Outsourced services include only outsourced operating services and management fees; maintenance-related contractual services related to Existing and New Terminal B are incorporated in repair and maintenance expenses.

### *Existing Terminal B*

Janitorial and apron snow removal costs are the largest outsourced services costs related to Existing Terminal B incurred by the Port Authority before LGP takes over operations. A janitorial contractor provides janitorial services for common areas of the terminal and concourse. This contract includes labor, supplies, equipment, and materials. The snow removal contractor provides snow removal for the apron area and Gates B4 and B5, including labor and equipment, with the exception of fixed snow melters, which are owned by the Port Authority. The projections of O&M Expenses are based on assumed contracted rates similar to those in the existing contracts between the Port Authority and the service providers. Costs for snow removal can vary depending on the frequency and amount of snowfall and the average of possible historical outsourced snow removal expenses was assumed in the projections.

Existing outsourced services for asset maintenance in Existing Terminal B, such as maintenance for elevators, escalators, passenger-loading bridges at Gates B4 and B5, life safety systems, and heating, ventilation, and air conditioning (HVAC) systems were assumed to continue to be outsourced. Preventive maintenance outsourced expenses associated with systems in Existing Terminal B are included in the repairs and maintenance category. Additional outsourced services for Existing Terminal B consist of security, waste and recycling removal, pest removal services, and management fees paid to the Manager pursuant to the MSA for the operation and management of Existing Terminal B. The fees for these outsourced services are allocated between Existing Terminal B and New Terminal B based on the total square footage of the facilities.

Outsourced services expenses for Existing Terminal B are projected to be \$9.2 million for 7 months of FY 2016, increase to \$15.9 million in FY 2017, \$24.1 million in FY 2018, then decrease steadily to \$6.8 million in FY 2021 because of decreasing Existing Terminal B square footage. Outsourced services expenses of \$0.16 million for Existing Terminal B are assumed to last be incurred in FY 2022.

### *New Terminal B*

Outsourced services in New Terminal B include:

- Cleaning and sanitation-related services, including: janitorial services, which include common area space; janitorial-related consumables phased in based on passenger activity; septic services; waste and recycling removal; and pest control.
- Security services, which are allocated between New and Existing Terminal B based on space.
- Snow removal services (allocated based on space between New and Existing Terminal B).
- Management fees paid to the Manager for operation and management of New Terminal B.
- Other services, including the CRWD facility loading dock services; bag room operations; maintenance of frontage roads; consumables for passenger processing systems; and additional contracts less than \$100,000.

New Terminal B outsourced services will increase as New Terminal B becomes operational, from \$2.3 million in FY 2018 to \$27.6 million in FY 2023, the first year that New Terminal B will be fully operational. Outsourced services are projected to increase at a compound annual growth rate of 1.2 percent from FY 2023 to \$28.6 million in FY 2025.

#### 4.4.2.4 Utilities

The utility costs for Existing Terminal B and the CHRP include electricity and water. Natural gas is contracted directly between the provider and the airlines. The Existing Terminal B utilities projections are based on a peak of historical expenses provided by the Port Authority, with an additional increase to account for higher expected electricity costs. Existing Terminal B utility costs are projected to decrease over time based on the phasing out of Existing Terminal B facilities, from \$5.9 million in FY 2017 (first full year of utilities under LGP operation) to \$1.7 million in FY 2021. Utility expenses for Existing Terminal B are anticipated to end in FY 2021.

Utilities expenses for New Terminal B and the CHRP include electricity, water and sanitary sewer, natural gas, and fuels for operation. Utilities are being phased in based on the phasing of the CHRP and New Terminal B. New Terminal B utilities expenses were assumed to begin in March 2018, when the first portion of New Terminal B becomes operational. After the anticipated completion of New Terminal B, utilities expenses are projected to increase at a compound annual growth rate of 2.3 percent per year between FY 2023 and FY 2025, from approximately \$12.7 million to approximately \$13.3 million.

#### 4.4.2.5 Administrative Expenses

Most administrative expenses are incurred at the beginning of the lease and consist largely of professional services and other overhead items. Major administrative expenses associated with Existing Terminal B include: professional services (including legal services, public relations and marketing services, and environmental consulting); telephone; training; information technology (IT) systems license, fees, upgrade and maintenance; and transition budget.

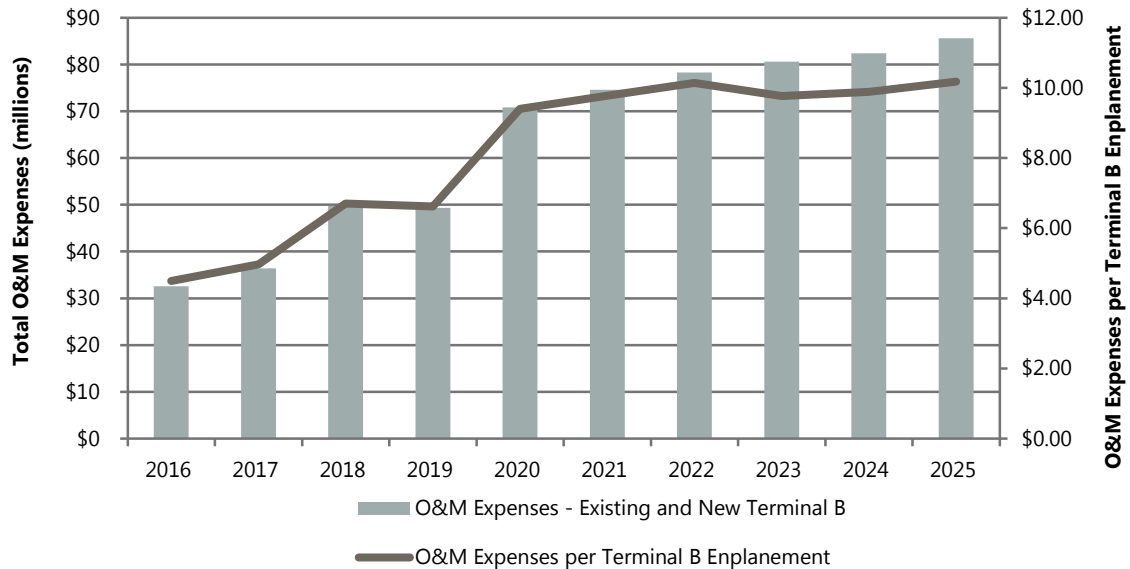
Administrative expenses are allocated between Existing and New Terminal B based on either the proportion of personnel costs, which represents administrative effort associated with each terminal; the proportion of terminal square footage, which represents the available space in the terminal; or a flat 50 percent/50 percent split until New Terminal B is fully operational. Administrative expenses in New Terminal B are projected to increase from approximately \$182,000 in FY 2018 to approximately \$3.0 million in FY 2023, the first full year of New Terminal B operations. Administrative expenses are projected to increase at a compound annual growth rate of 2.9 percent to approximately \$3.2 million in FY 2025.

#### 4.4.2.6 Other Expenses

Other expenses include annual costs related to the Trustee and collateral agent along with rating agency monitoring fees. These expenses are allocated between Existing Terminal B and New Terminal B during construction based on terminal space. The expenses are projected to be approximately \$184,000 in 2016 and increase to approximately \$764,000 annually by the end of the Projection Period.

**Exhibit 4-4** presents the total O&M Expenses projected to be incurred by LGP during the Projection Period and the projected O&M Expenses per Terminal B enplaned passenger. Total O&M Expenses are projected to increase to approximately \$85.6 million by FY 2025, the last year of the Projection Period for purposes of this Report.

**Exhibit 4-4: Projected Operating and Maintenance Expenses**



SOURCES: Societe Generale; Vantage Airport Group Ltd.; Ricondo & Associates, Inc., April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

## 4.5 Asset Repair and Replacement

After construction is completed, New Terminal B will require routine capital investment in all common-use systems and assets. The following asset categories have been identified: fire protection and life safety systems; security systems; structural landside, elevated structures, terminal components; mechanical terminal HVAC system, CHRP boilers, CHRP chillers; electrical circulation; electrical, substation equipment, and controls; building envelope; baggage handling systems; roadway systems; aircraft support systems; and underground and aboveground tank systems.

### 4.5.1 TIMING OF ASSESS REPAIR AND REPLACEMENT

The expected frequency of preventive maintenance, repair, and replacement for New Terminal B is presented in **Table 4-1**. Nearly all asset components require annual inspections; however, repair and replacement needs will vary with the useful lives of the assets. The need for asset replacement is first anticipated in FY 2027; while beyond the Projection Period for this Report, FY 2027 repair and replacement needs are captured in the supplemental long-term financial projections. Initial asset replacement includes cameras and door access control components (card readers) of the security systems. Asset replacements in New Terminal B are scheduled to occur 10, 12, 15, 20, 25, and 30 years after initial installation depending on the estimated useful life of the component. Preventive maintenance and repair are anticipated during the Projection Period. Projected annual preventive maintenance expenses during the Projection Period are presented in Table A-2 in Appendix A of this Report.

**Table 4-1: Frequency of Maintenance, Repair, and Replacement**

ASSET CATEGORY	EXPECTED FREQUENCY OF MAINTENANCE/REPAIR/REPLACEMENT OF SIGNIFICANT EQUIPMENT
<b>1. Fire Protection and Life Safety; Fire Alarm and Sprinkler System</b>	Fire Alarm system - Annual inspection, certification and testing and replacement at 15 years; Fire extinguishers - Annual inspection and testing
<b>2. Security Access Control System</b>	Closed Circuit Television System – cameras - 5 year replacement; Door access control - card readers - 5 year replacement; Automatic sliding doors - Annual inspections, periodic repairs and replacement in 15 years
<b>3. Structural Landside; Elevated Structures; Terminal Components</b>	High Speed Overhead Doors - Annual inspections, periodic repairs and replacement in 25 years; Overhead Coiling Doors - Annual inspections and periodic repairs periodic repairs; Heating plant (boilers, circulation and distribution systems) - Annual inspections, periodic repairs and replacement in 25 years
<b>4. Mechanical Terminal HVAC System; Central Heating and Refrigeration Plant Boilers and Chillers</b>	Cooling plant (chillers, cooling tower, circulation and distribution systems) - Annual inspections, periodic repairs and replacement in 25 years; Air handling units and exhaust fans - Annual inspections, periodic repairs of air handling units and exhaust fans Replacement of exhaust fans in 30 years
<b>5. Electrical - Circulation; Moving walkways, escalators; Elevators</b>	Elevators - Annual inspections, certification, periodic repairs and replacement in 25 years; Escalators and moving walkways - Annual inspections, certification, periodic repairs and replacement in 25 years; Uninterrupted Power Supply - 10 year replacement; Interior and exterior lighting systems - Interior and exterior lamp replacement every 10 years
<b>6. Electrical; Substation Equipment and Controls</b>	Emergency power generating systems - Annual inspections, certification, periodic repairs and replacement in 30 years; Power distribution equipment - Inspection of elevated roadway every 3 years; Wired, wireless and radio communication equipment and systems - Wired network switches - 20 years replacement; Wireless systems - 15 years replacement radio systems - 20 year replacement
<b>7. Building Envelope; Exterior Enclosure; Roofing</b>	Roof inspections and repairs - Annual inspections and repairs; motors/drives - Annual inspection, replacement in 12 years; Belts and chains - Annual inspection, replacement in 20 and 25 years, respectively
<b>8. Baggage Handling; Baggage Makeup Systems; Baggage Claim Carousels and Conveyors</b>	Sorts and Diverters, Merges and Queues and Makeup devices - Annual inspection, replacement in 20 years; Claims devices - Slope Plate Device (with stainless steel slats) - Annual inspection, replacement in 25 years; Belts and chains - Annual inspection, replacement in 12 years; Bearings - Annual inspection, repairs every 12 years; Controls - Annual inspection, repairs every 10 years
<b>9. Civil Roadways - Pavement; Landside Pavement (At Grade, Elevated); Airside Pavement</b>	Airside pavement - Inspection of condition and repair and maintenance of surface; Frontage Road - Inspection of elevated roadway every 3 years
<b>10. Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System</b>	Jet bridges - Annual inspections, certification, periodic repairs; Hydrant fuel distribution systems - Annual inspection, certification
<b>11. Underground and Aboveground Tank Systems</b>	Underground tanks - Annual inspection, certification Replacement in 25 years; fuel pumping systems and controls - Annual inspection, calibration and certification Replacement in 25 years

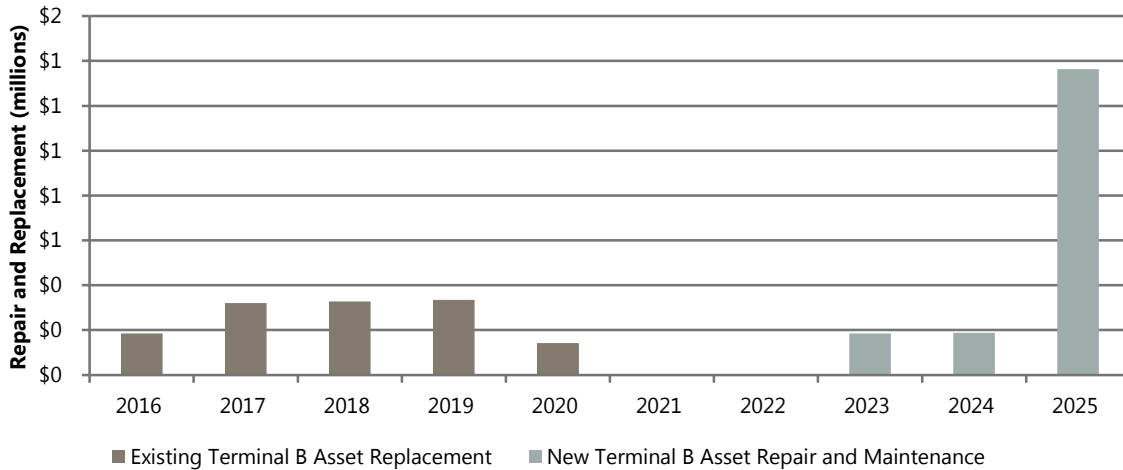
NOTE: HVAC = Heating, ventilation, and air conditioning.

SOURCE: LaGuardia Gateway Partners LLC, November 2015.

PREPARED BY: Ricondo & Associates, Inc., January 2016.

**Exhibit 4-5** presents the projected asset repair and replacement costs for Existing and New Terminal B during the Projection Period.

**Exhibit 4-5: Existing and New Terminal B Projected Asset Repair and Replacement Costs (millions)**



SOURCE: LaGuardia Gateway Partners LLC, March 2016.  
PREPARED BY: Ricondo & Associates, Inc., March 2016.

## 4.6 Nonairline Revenues

LGP engaged Pragma Consulting in August 2013 to serve as Commercial Advisor on the proposal submission to the Port Authority concerning the Series 2016 Project. As a specialist consultant in airport retail master planning, passenger insight, commercial space, and revenue modelling, Pragma was tasked with providing key inputs to the Series 2016 Project team to assist in optimizing commercial concession space in Existing and New Terminal B and in projecting resulting revenues. R&A has reviewed the concession revenue projections provided by Pragma and found the projections to be reasonable. This section of the Report presents key information provided by Pragma Consulting.

LGP will manage the concession program at Terminal B from the start of the Lease Agreement term anticipated in June 2016, and will implement a specific plan to maximize revenues. LGP and Pragma have developed commercial strategies for both Existing Terminal B prior to its closure, and for New Terminal B from its opening in terms of concessionaire management, optimal space design and layout, and product category mix planning.

Terminal B Concession Revenues have been organized into the following core categories:

- Food and Beverage
- News and Gift
- Duty Free
- Specialty Retail
- Services
- Advertising and telecommunications



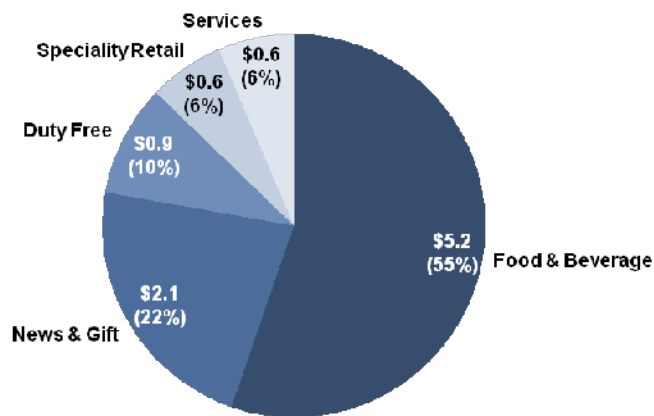
#### 4.6.1 EXISTING TERMINAL B

Existing Terminal B provides more than 60 concession units across four core product categories. In 2014, concession gross revenues (i.e., sales) totaled \$70.1 million, with the majority from food and beverage sales. This equated to an average spend per enplaned passenger (SPEP) of \$10.40 in 2014, which has increased at a compound annual growth rate of 4.1 percent since 1996.

Compared to other similar U.S. airport terminals, Existing Terminal B achieves above-average SPEP in the news and gift and duty free categories, below-average SPEP for food and beverage, and very low levels of SPEP in specialty retail, for which the current offering at Existing Terminal B is limited. The concession program has been managed by MarketPlace Development for the Port Authority for the past 20 years. Concessionaires paid rent totaling \$11.9 million in 2012 to MarketPlace, which retains 21.5 percent of annual rent as its fee. The Port Authority received the balance of \$9.4 million, and paid a portion to the airlines (\$2.7 million or 29 percent in 2012). The Port Authority also received \$4.1 million in advertising and telecommunications income in 2012, resulting in nonairline revenues of \$10.8 million.

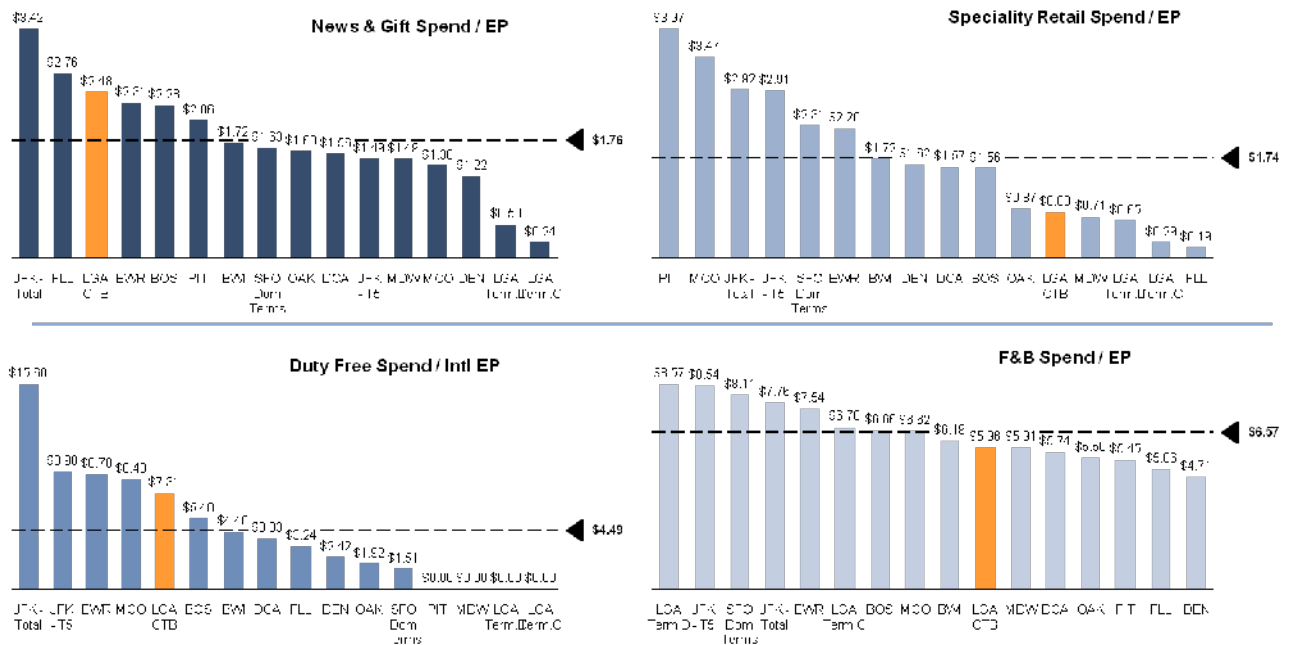
**Exhibit 4-6** presents the breakdown of Nonairline Revenue categories in Existing Terminal B. **Exhibit 4-7** presents the SPEP for the four major concession categories in Existing Terminal B compared to that in other terminals at the Airport and at certain other comparable large-hub airports.

**Exhibit 4-6: 2012 Nonairline Revenues in Existing Terminal B**



SOURCE: Pragma Consulting, April 2016.  
PREPARED BY: Pragma Consulting, April 2016.

**Exhibit 4-7: Spending per Enplaned Passenger by Category in Existing Terminal B and Comparison to Spending at Other Large-Hub Airport Terminals**



SOURCE: Pragma Consulting, April 2016.  
PREPARED BY: Pragma Consulting, April 2016.

Existing Terminal B currently has a total of 44,045 square feet of gross leasable commercial space, of which 68 percent is landside (i.e., pre-security) and 32 percent is airside (i.e., post-security). This split is not in line with best practices, wherein the vast majority of commercial space should be located airside in order to increase spending opportunities.

Pragma also reviewed the Existing Terminal B concession space on a per passenger basis. The commercial space in the terminal is currently undersized at 7,100 square feet per million enplaned passengers when compared to: commercial space provided at many airports in the competitor set (an average of 9,250 square feet per million enplaned passengers), global airport retail trends, and forecasted growth in passenger numbers over the course of the lease term.

**4.6.2 NEW TERMINAL B**

New Terminal B is designed and will be managed according to global airport best practice commercial principles to enhance the customer experience and maximize passenger spend and, as a result, nonairline revenues.<sup>1</sup>

<sup>1</sup> Pragma Commercial Strategy and Revenue Report, March 2016.

New Terminal B will allow for a broad variety of offerings, with gross leasable space more than doubling from that provided in Existing Terminal B to 103,451 square feet. The space will be configured to increase passenger exposure to the concession offering with a minimal number of intuitive passenger flow routes. Other key aspects of the commercial strategy outlined in the Pragma Commercial Strategy and Revenue Report include:

- A sense of place, providing a New York-focused experience;
- Location of 95 percent of commercial space airside, with a main central retail and relaxation space entered by all passengers immediately after security, where passengers have the highest propensity to spend; and
- Adoption of an active concession management model, underpinned by a collaborative partnership management approach in terms of engagement with concessionaires to drive passenger spending, to be undertaken by a commercial team that LGP will put in place upon execution of the Lease.

The layout of New Terminal B is designed to ease passengers' passage through the facility, and the commercial space has been configured to focus on accessibility and ease of shopping for passengers, while providing a variety of offerings.

Upon completion of New Terminal B, following check-in, passengers will pass through security and then flow into the main retail space, where they can eat, shop, or dwell before continuing to the nearby concourse piers and holdrooms. Additional retail and food and beverage units will be available near the gates for passenger access while waiting to board.

The construction phasing of the Series 2016 Project focuses on development of the headhouse as the first phase. The headhouse, where the main retail space will be located, will be used as the point of entry to Existing Terminal B. The headhouse is estimated to open in January 2020 and will be accessible throughout the Series 2016 Project construction period.

**Table 4-2** presents a comparison of commercial space by category between Existing Terminal B and New Terminal B.

**Table 4-2: Existing Terminal B versus New Terminal B Commercial Space**

CATEGORY	EXISTING TERMINAL B SPACE (SQ FT)	NEW TERMINAL B SPACE (SQ FT)	PERCENTAGE CHANGE	PERCENTAGE OF EXISTING TERMINAL B SPACE	PERCENTAGE OF NEW TERMINAL B SPACE
Food and Beverage	26,184	56,724	+117%	59%	55%
Speciality Retail	7,333	26,896	+267%	17%	26%
News and Gift	7,737	14,374	+86%	18%	14%
Duty Free	2,326	4,992	+115%	5%	5%
Services	465	465	0%-	1%	0%
<b>TOTAL</b>	<b>44,045</b>	<b>103,451</b>	<b>+135%</b>	<b>100%</b>	<b>100%</b>

SOURCE: Pragma Consulting, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

#### 4.6.2.1 Key Concessionaire Contractual Assumptions

Key assumptions on contractual arrangements concerning the Terminal B concession program include:

- LGP has the option to terminate the MarketPlace contract, subject to a payment for unamortized capital expenditure. In this scenario, all concession sub-leases would be reassigned from MarketPlace to LGP and the Terminal B concession operations would be managed by the new commercial team. As part of its transition planning, LGP continues to evaluate this option. LGP will maintain the current concession tenants in Existing Terminal B, and these tenants will continue to pay their proportional Landlord Operating Costs and Marketing Contributions at their current contractual levels.
- Where the concessionaires continue to operate for up to 5 years in Existing Terminal B, contracts will need to be renegotiated: in these instances, existing yield percentages would not be adjusted, but improved terms will be included in the renegotiated contracts (e.g., modified contribution to a centralized marketing fund and inclusion of more effective performance measures and service quality criteria, which would positively affect performance).
- As new space becomes available in each phase of construction, a competitive process will be undertaken to select new concessionaires in the form of travel retail partners that share a common vision with LGP.
- Rents will be collected on a monthly basis and will be structured as the greater of a minimum annual guarantee (MAG) or percentage rent. Concessionaires will be required to submit a sales plan for the whole contract period and, based on that, an annual MAG would be set. At the beginning of each calendar year, the MAG would be recalculated at the higher of: 80 to 85 percent of income (rent) based on the sales projection submitted or 80 to 85 percent of the previous year's concession income.
- A new Common Area Maintenance fee will be calculated to replace the current proportional share of the Landlord Operating Costs, and to cover common operating costs. The Common Area Maintenance fee will be calculated on a per-square-foot basis with no markup to the tenant and provided as part of the terms of the tenant contract.
- LGP will revise the current Marketing Fund contributions to be calculated as a percentage of gross sales, using a common industry benchmark. Marketing Fund contributions will be used to promote the concessions program across all mediums and to create a clear 'retail brand' that communicates the value proposition on offer in New Terminal B. A marketing calendar and budget for all activities will be developed by LGP and agreed upon with the concessionaires at the start of each year.
- LGP will provide demand-driven concessionaire storage to provide the most cost-effective and efficient goods processing solution. Minimal storage fees will apply.
- 20 percent of concessionaires in New Terminal B are required to be Airport Concession Disadvantaged Business Enterprises and Disadvantaged Business Enterprises, which requirement will be incorporated into the terminal retail planning and contract negotiations.

#### 4.6.3 PROJECTIONS OF NEW TERMINAL B CONCESSION REVENUES

Projected Concession Revenue is based on historical data for Existing Terminal B space, assumed revenue per passenger for New Terminal B space, and forecast numbers of Terminal B passengers.

**Table 4-3** presents projected sales per enplaned passenger in each of the core categories in New Terminal B (when all space is fully opened in 2023), along with estimated 2017 figures for Existing Terminal B. All amounts are shown in 2016 dollars.

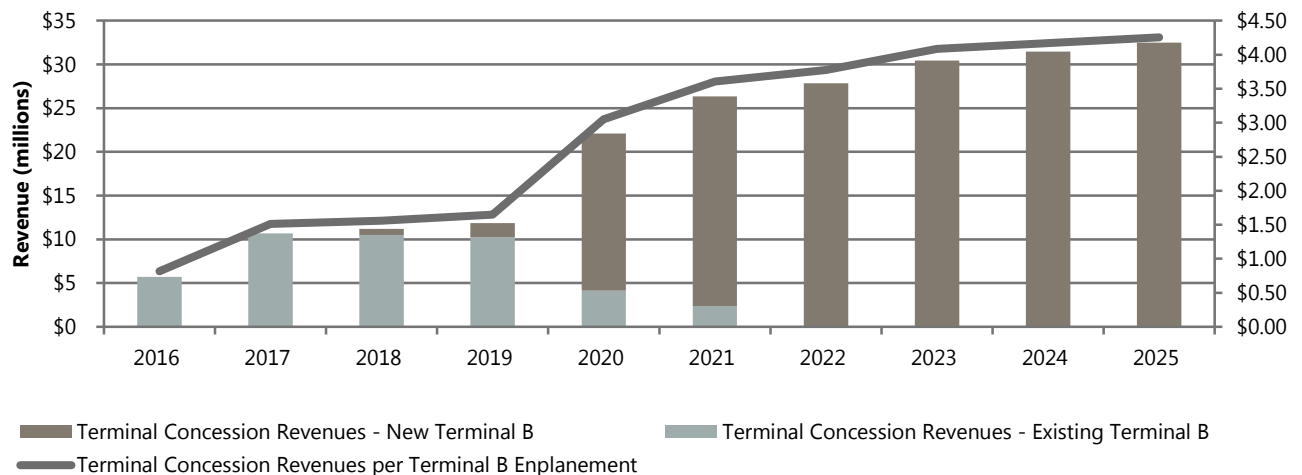
**Table 4-3: Spend per Enplaned Passenger Existing Terminal B versus New Terminal B**

<b>SPEND PER ENPLANING PASSENGER, 2016 \$</b>	<b>FOOD AND BEVERAGE</b>	<b>DUTY FREE</b>	<b>NEWS AND GIFT</b>	<b>SPECIALTY RETAIL</b>	<b>SERVICES</b>
Existing Terminal B (2017)	\$6.97	\$0.54	\$2.50	\$0.75	\$0.38
New Terminal B (2023)	\$8.58	\$1.01	\$2.66	\$4.99	\$1.70

SOURCE: Pragma Consulting, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Exhibit 4-8** presents the Concession Revenues projected to be received by LGP during the Projection Period for Existing and New Terminal B and projected Concession Revenues per Terminal B enplanement.

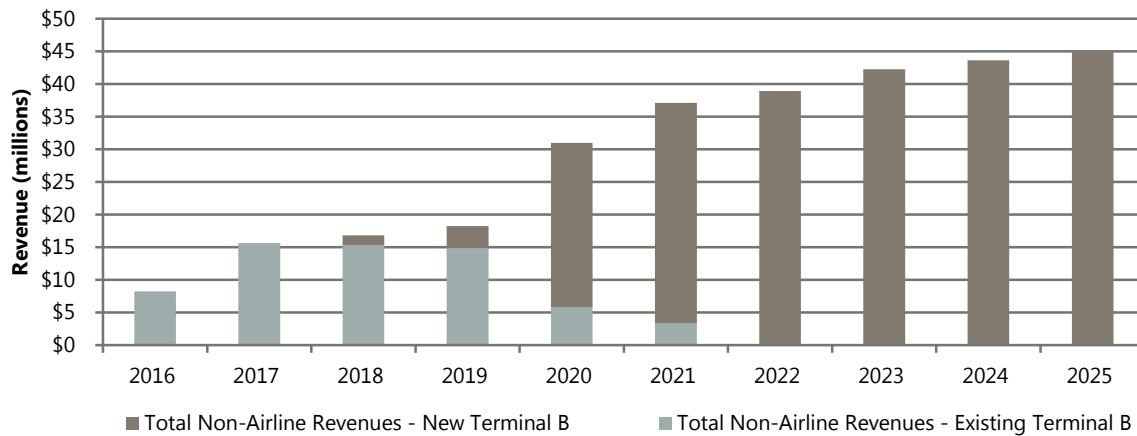
**Exhibit 4-8: Projected Concession Revenues (millions) and Concession Revenues per Terminal B Enplanement**



SOURCES: Pragma Consulting; Societe Generale; Ricondo & Associates, Inc. April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Exhibit 4-9** presents total Nonairline Revenues projected to be received by LGP during the Projection Period for Existing and New Terminal B.

**Exhibit 4-9: Projected Total Nonairline Revenues (millions)**

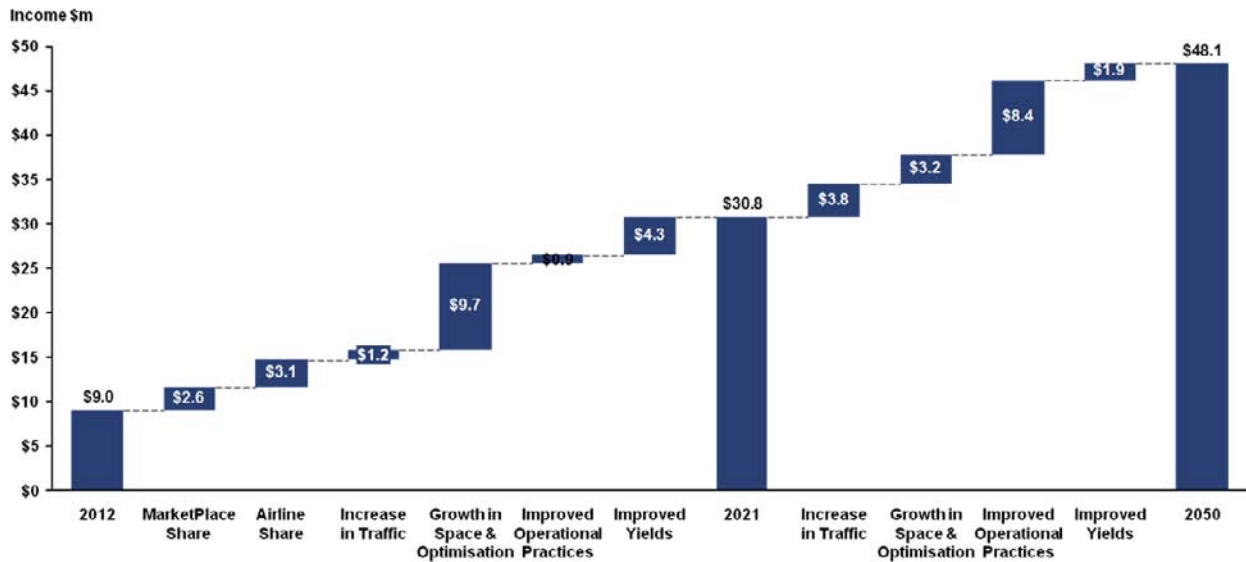


SOURCES: Pragma Consulting; Societe Generale; Ricondo & Associates, Inc. April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

As shown, Nonairline Revenues received by LGP in Existing Terminal B are projected to be approximately \$8.2 million for seven months of 2016 and \$15.6 million in 2017, the first full year of operation under LGP control. Nonairline Revenues in Existing Terminal B are then projected to decrease between 2018 and 2021 as Existing Terminal B is phased out. Nonairline Revenues in New Terminal B are projected to increase, as the new concession space becomes operational, to approximately \$42.3 million in 2023, and then to increase at a compound annual growth rate of 3.1 percent to \$44.9 million in 2025. Nonairline Revenues received by LGP from the operation of Existing and New Terminal B during the Projection Period are presented in Table A-3 in Appendix A of this Report.

In terms of the relative effects of traffic and the three commercial impacting factors (increase in space, improved operational practices, and increased yields) on concession airport operator income (excluding Other income), the bridge analysis chart, depicted on **Exhibit 4-10**, indicates the importance of each factor, with increased and optimized space a key driver of increased Concession Revenues between 2012 and 2021, while improved operational practices will be key between 2021 and 2050. The bridge also highlights the impact of MarketPlace (should it be terminated) and the airline share by 2021. All amounts are shown in 2014 dollars.

**Exhibit 4-10: Projected Concession Revenue Bridge**



NOTE: Revenue bridge exhibit provided from May 6, 2014 Pragma Report; not revised for April 21, 2016 Addendum. Revenue shown may differ from final numbers.

SOURCE: Pragma Consulting (Bid Report), May 2014.

PREPARED BY: Pragma Consulting (Bid Report), May 2014.

In addition to rental income received from concessionaires, concession tenants will also pay three other charges to LGP (which are similar to payments to the Port Authority currently in place):

- A Common Area Maintenance fee, which reflects the contribution of concessionaires to general terminal operating costs and is calculated on a per square foot basis (and, therefore, only affected by space increases and inflation).
- Contribution to a centralized Marketing Fund, which is calculated as a percentage of concession sales, and all of which is applied by the Port Authority to pay for promotional and marketing activity for the terminal and its tenants.
- A storage fee for tenant goods to be stored at the terminal as required.

New Terminal B will also provide advertising space (with the program continuing to be managed by JC Decaux) and telecommunications services. Income from these revenue streams will be shared with the Port Authority, with LGP receiving 50 percent of advertising income and 80 percent of telecommunications income.

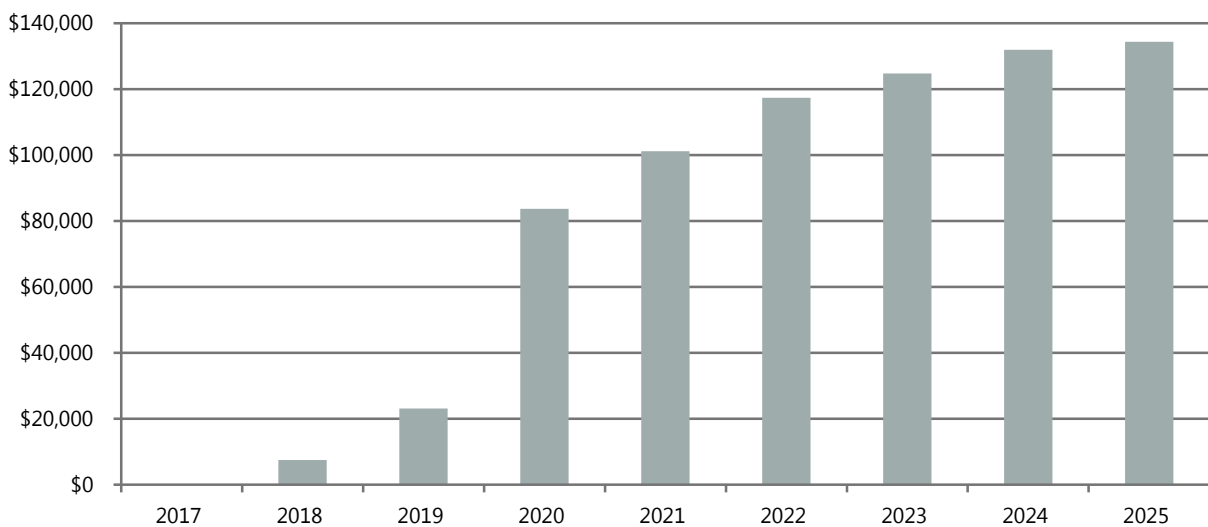
## 4.7 Annual Debt Service

The Series 2016 Bonds will be the first series of bonds, and anticipated to be only series of bonds, payable from Project Revenues.

As described in Chapter 1 of this Report, the Series 2016 Bonds will be issued pursuant to the Indenture of Trust between the New York Transportation Development Corporation, which will act as the conduit issuer for this transaction, and the Trustee. LGP will serve as the borrower of the proceeds of the Series 2016 Bonds from the New York Transportation Development Corporation pursuant to a Loan Agreement. The Series 2016 Bonds will be payable in part from, and secured under the Indenture and the Collateral Agency Agreement by, Project Revenues generated from the Series 2016 Project. The Series 2016 Bonds are non-recourse to the New York Transportation Development Corporation and the Port Authority.

Total debt service payable on the Series 2016 Bonds is projected to be approximately \$7.5 million in 2018, as the first component of New Terminal B becomes operational, and is projected to increase each year of the Projection Period to approximately \$134.3 million in 2025. **Exhibit 4-11** presents annual total debt service on the Series 2016 Bonds throughout the Projection Period.

**Exhibit 4-11: Estimated Debt Service on the Series 2016 Bonds (in thousands)**

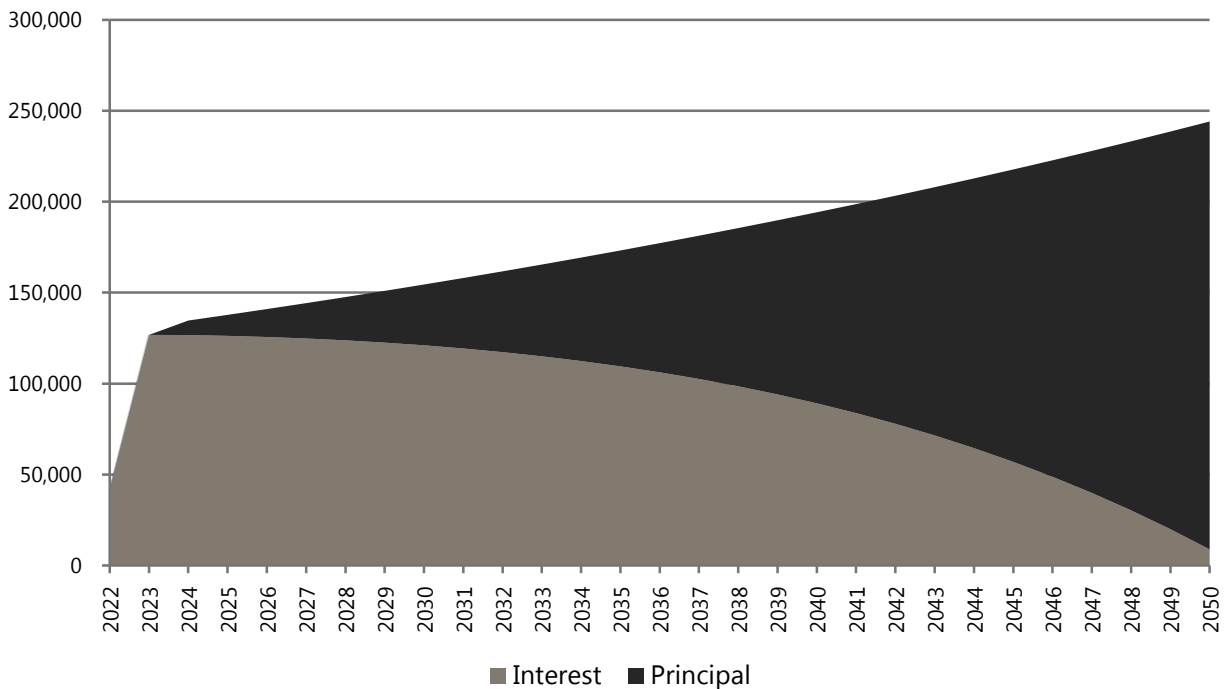


SOURCE: Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

While the Projection Period of this Report is through FY 2025, it should be noted that the debt service on the Series 2016 Bonds continues to increase throughout the term of the Lease Agreement. **Exhibit 4-12** presents the complete debt service schedule for the Series 2016 Bonds. As shown, total debt service on the Series 2016 Bonds is anticipated to increase to approximately \$239.3 million annually by the end of the Lease Agreement. Additional information regarding long term projections is provided in Table A-19 in Appendix A of this Report.



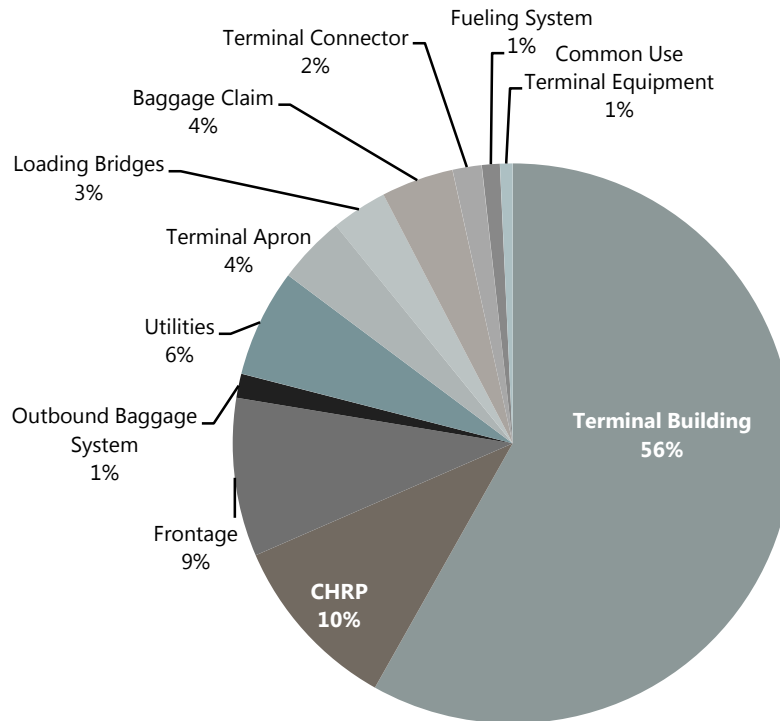
**Exhibit 4-12: Estimated Debt Service on the Series 2016 Bonds through the Term of the Lease Agreement (in thousands)**



SOURCE: Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

Debt service is allocated to various cost centers based on the allocation of Project costs to be funded with proceeds from the Series 2016 Bonds. **Exhibit 4-13** presents the allocation of debt service on the Series 2016 Bonds at the end of construction. As shown, approximately 56 percent of debt service is directly allocable to the Terminal Building cost center and is recoverable through the calculation of the Terminal Building Rental Rate, which is paid by both airlines and concessionaires, as described further in the later Section 4.9. Debt service allocated to other cost centers is recoverable through other airline rates and charges described herein. Projected annual total debt service and allocation of airline payable debt service to airline cost centers through the Projection Period are provided in Table A-4 in Appendix A of this Report.

**Exhibit 4-13: Cost Center Allocation of Debt Service on the Series 2016 Bonds**



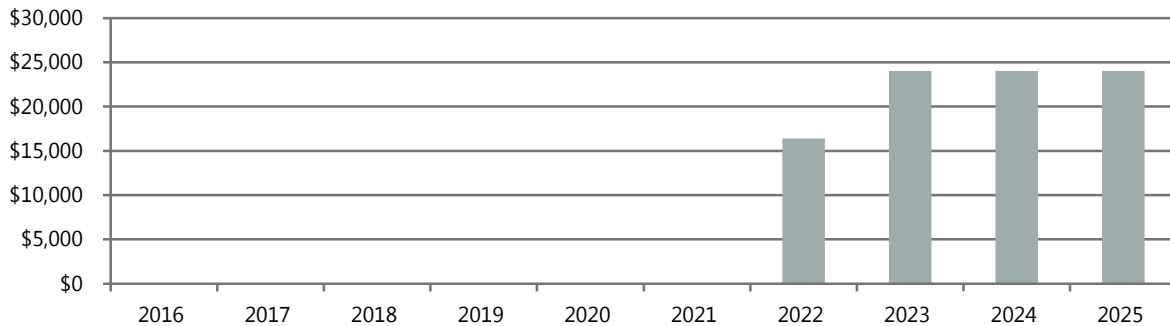
SOURCE: WJ Advisors LLC, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

## 4.8 Amortization of LaGuardia Gateway Partners Contribution

The plan of finance for the Series 2016 Project includes a \$200 million infrastructure investment from LGP contributed equally by the member entities established by Vantage, Skanska ID, and Meridiam. Certain net revenues and interest earnings from the operation of Existing and New Terminal B prior to the date of beneficial occupancy (DBO) are also anticipated to be used to fund the Series 2016 Project. LGP plans to recover these investment amounts through amortization collected as part of New Terminal B rates and charges.

Total amortization of the LGP investment is projected to be \$16.4 million in 2022, as the project is anticipated to be completed, and to increase to approximately \$24.0 million in 2023, the anticipated first full year of New Terminal B operation, and then to remain level through the remainder of the Projection Period. **Exhibit 4-14** presents the annual amortization of LGP investment through the Projection Period.

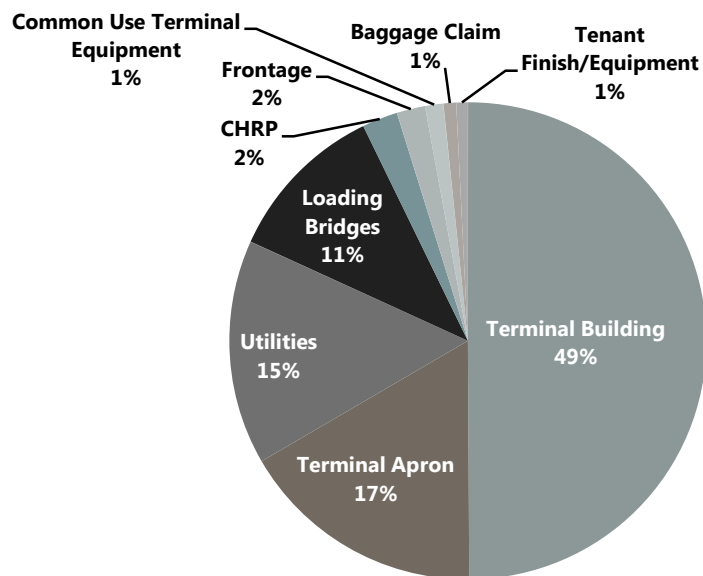
**Exhibit 4-14: Estimated Amortization (in thousands)**



SOURCE: Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

The amortization of LGP investment is allocated to various cost centers based on the allocation of Project costs funded with LGP investment and Project Revenues. **Exhibit 4-15** presents the allocation of amortization at the end of construction. As shown, approximately 49 percent of airline payable amortization is allocable directly to the Terminal Building cost center and is recoverable through the calculation of the Terminal Building Rental Rate, which is paid by both airlines and concessionaires, as described in later Section 4.9. Amortization allocated to other cost centers is recoverable through other airline rates and charges described herein. Projected total annual amortization and allocations of airline payable amortization to airline cost centers through the Projection Period are also provided in Table A-5 in Appendix A of this Report.

**Exhibit 4-15: Allocation of Amortization to Cost Centers**



SOURCE: WJ Advisors LLC, April 2016  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

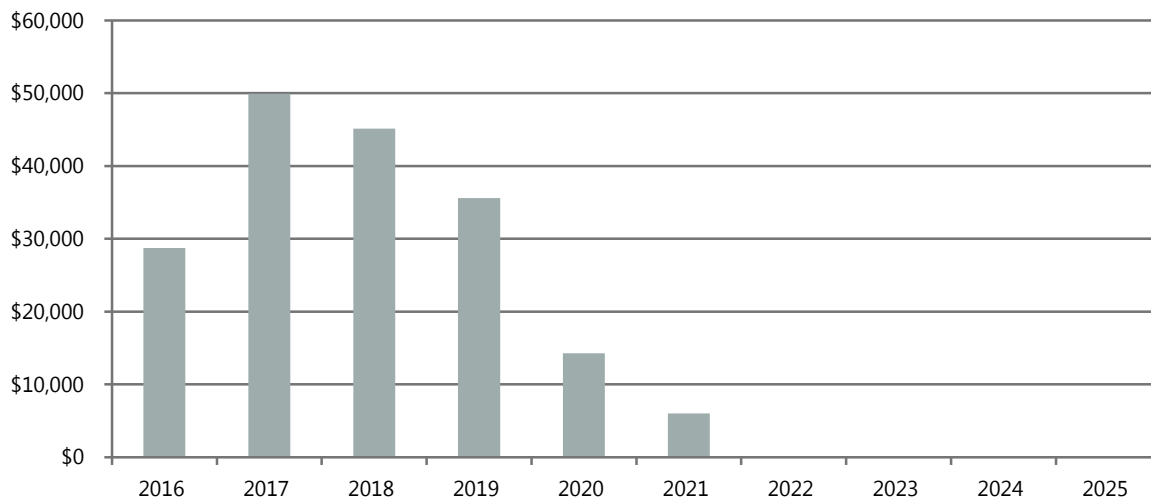
## 4.9 Airline Revenues

### 4.9.1 PROJECTED AIRLINE REVENUES IN EXISTING TERMINAL B

Pursuant to the Lease Agreement between LGP and the Port Authority, LGP will operate Existing Terminal B during the construction of New Terminal B and will receive Revenues from the airlines operating in Existing Terminal B under the terms of the Existing Terminal B Airline Subleases. The status of the Existing Terminal B Airline Subleases are described in Section 4.2 of this Report. Upon execution of the Lease Agreement, the Existing Terminal B Airline Subleases will be assigned by the Port Authority to LGP.

**Exhibit 4-16** presents projected Airline Revenues from the operation of Existing Terminal B. As shown, Airline Revenues from operation of Existing Terminal B are projected to be approximately \$49.9 million in FY 2017 and then to decrease through FY 2021 as Existing Terminal B is phased out. Airline Revenues received by LGP from operation of Existing Terminal B during the Projection Period are presented in Table A-6 in Appendix A of this Report.

**Exhibit 4-16: Projected Existing Terminal B Airline Revenues (in thousands)**



SOURCE: Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

### 4.9.2 PROJECTED AIRLINE REVENUES IN NEW TERMINAL B

LGP is currently contemplating a commercial compensatory methodology for New Terminal B space rentals, whereby an average rental rate is calculated based on total revenue-producing rentable space. If an agreement is not executed prior to completion of the Series 2016 Project, then LGP expects to set rates by tariff using the same methodologies as described below.

The average rental rate per square foot is applied to airline lounges, offices, and other airline exclusive use spaces, and also used to calculate other fees. Other charges to the airlines include: ticket counter fees and rents, outbound baggage system fees, bag claim fees, holdroom and loading bridge charges, terminal apron fees, fueling system fees, and remain overnight aircraft parking fees.

Airline rates and charges are recalculated each year, and settlements occur when actual costs are lower or higher than actual airline payments each year. Midyear adjustments to airline rates and charges can be made based on unforeseen events.

#### 4.9.3 COST ALLOCATION

The following New Terminal B costs are allocated to the cost centers described in Section 4.9.4:

- **O&M Expenses.** O&M Expenses consist of costs to operate, maintain, and manage New Terminal B, Terminal B apron, and the LGP-built fueling system. Management fees are also included. Specifically, New Terminal B O&M Expenses include the cost of operating, maintaining, and managing the baggage system, baggage claim, common use ticketing and similar equipment, and all other areas of New Terminal B, excluding space exclusively leased to the airlines.
- **Capital costs.** Capital costs consist of debt service on bonds, annual debt service coverage in accordance with stated bond enabling legislation equal to 25 percent of debt service on senior bonds, and amortization of LGP contributions used to fund Project costs and reserve requirements. Debt shall be used to fund Project costs along with an estimated \$1 billion of Port Authority funds on a pay-as-you-go basis and LGP contributions. Debt service will be based on the final pricing of the Series 2016 Bonds, which are envisioned to have fixed interest rates and a combination of tax-exempt and taxable bonds. This bond structure is subject to change based on market conditions and tax analysis. The interest on these bonds shall be capitalized from the date of issuance until the DBO of each phase of the Series 2016 Project and the debt service included in airline rates and charges will be net of this capitalized interest. LGP contributions include \$200 million of infrastructure investment and Net Project Revenues in Terminal B beginning on the effective date of the Lease with Port Authority.
- **Reserve deposits.** Reserve deposits consist of deposits made from the net proceeds of bonds, LGP contributions, and reserve accounts. The reserve accounts include:
  - **Debt Service Reserve Account** (6 months of annual principal and interest payments)
  - **O&M Reserve Account** (one quarter of annual O&M Expenses)
  - **Major Maintenance Reserve Account** (5 years of forward-looking major maintenance investments)
- **Base Rent** – Base Rent consists of annual rent payments made to the Port Authority.

Projected fund deposit and base rent requirements are presented in Table A-7 in Appendix A of this Report.

#### 4.9.4 COST CENTERS

For the purpose of setting rates, annual costs in the Terminal Building Cost Center are categorized as Primary and Secondary Cost Centers. Cost centers currently assumed by LGP are described in this section and will be defined in a New Terminal B Use Agreement upon execution.

The three Primary Cost Centers included in the calculation of New Terminal B Fees and Charges are as follows:

- **Terminal Building.** The area included in the Terminal Building cost center is the New Terminal B building, as well as the CHRP, terminal connector, and allocated frontage roadway. Facilities in New Terminal B include exclusive-use, common-use, and preferential-use areas and equipment. Exclusive-use facilities include airline clubroom space, general office and administrative space, baggage claim offices, and airline operations space. Preferential facilities include certain ticket counters, certain gates and loading bridges, and certain baggage makeup space and baggage claim areas. Common-use facilities include certain ticket counters, certain gates and loading bridges, the outbound baggage system, and certain baggage makeup space and baggage claim areas.
- **Terminal Apron.** Includes the apron serving New Terminal B.
- **Fueling System.** Includes the Fueling Project.

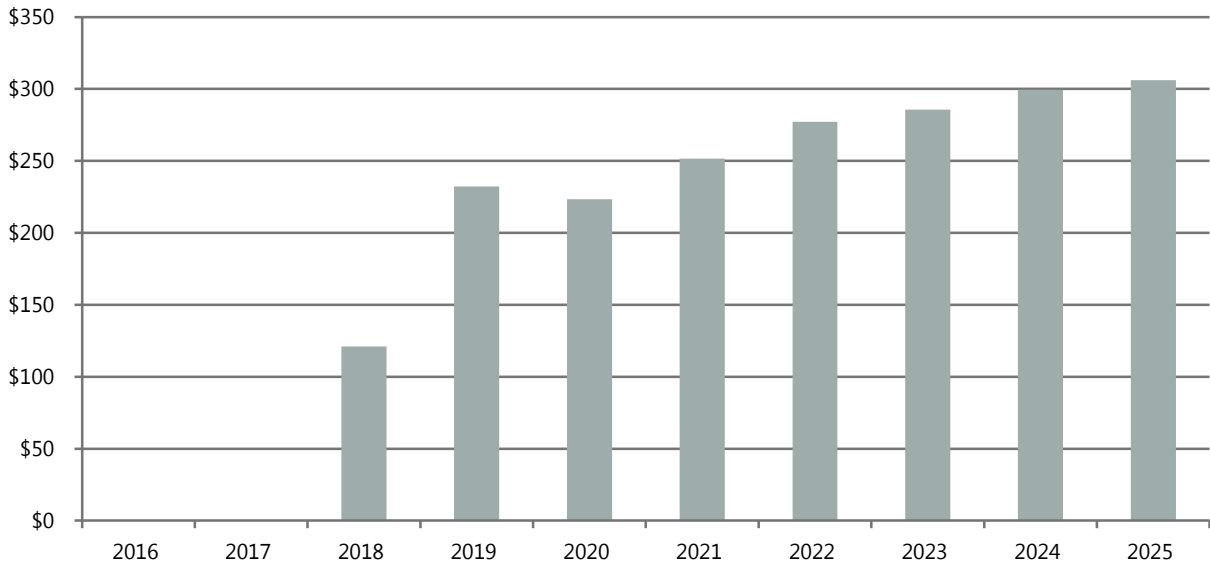
##### 4.9.4.1 Terminal Building Cost Center

The Terminal Building Primary Cost Center consists of the New Terminal B building, categorized into the Secondary Cost Centers, including: ticket counters, gate areas, loading bridges, baggage claim, baggage makeup, baggage system, and tenant finishes and equipment. It was assumed that costs will be allocated to the Secondary Cost Centers on the basis of occupancy, use, and activity levels, as described in the following paragraphs.

##### *Terminal Building Rental Rate*

The Terminal Building rental rate is the rate paid by airlines and concessionaires for revenue-producing space in New Terminal B (as provided in Table A-8 in Appendix A of this Report), and is determined by dividing the Terminal Building requirement by total Terminal Building rentable space. Costs included in the Terminal Building requirement are the allocable pro rata shares of O&M Expenses, debt service coverage, amortization, Base Rent, and reserve account deposits. The Terminal Building requirement includes items associated with Terminal B, the CHRP, the terminal connector, and allocated frontage roadway. The projected Terminal Building rental rate per square foot is shown on **Exhibit 4-17**.

**Exhibit 4-17: Projected Average New Terminal B Rental Rate (per square foot)**



SOURCE: WJ Advisors LLC; Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

The Terminal Building rental rate is then used to derive the following rates.

#### *Ticket Counter Rental Rate*

Ticket counters are leased on both a common-use and preferential-use basis and, therefore, a common-use ticket counter fee per originating passenger and a preferential ticket counter space rate per square foot are charged. The ticket counter requirement is derived by first multiplying the average Terminal Building rental rate per square foot by total airline ticketing space and airline kiosk space and then adding equipment and other costs directly allocable to the ticket counter secondary cost center (including O&M expenses, debt service, debt service coverage, amortization, and reserve deposits). To derive the common use ticket counter fee, the ticket counter requirement is divided by the number of originating passengers. Non-signatory airlines pay a 25 percent premium of this common-use ticket counter fee. The preferential ticket counter space rate per square foot is derived by subtracting the common-use ticket counter fees from the ticket counter requirement to arrive at a net ticket counter requirement and dividing by the square footage of preferential-use leased ticket counter space.

#### *Outbound Baggage System Fee*

The outbound baggage system fee is charged per originating passenger. The outbound baggage system requirement is divided by the number of originating passengers. The outbound baggage system requirement is derived by multiplying the average Terminal Building rental rate by total outbound baggage system space and baggage makeup space, and then adding directly allocable equipment and other costs.

### *Baggage Claim Fee*

Baggage claim space is leased on both a common-use and preferential-use basis and, therefore, a common-use baggage claim fee per deplaned destination passenger and a preferential baggage claim space rate per square foot are charged. The baggage claim requirement is derived from the average terminal building rental rate multiplied by total baggage claim space, plus directly allocable equipment and other costs. To derive the common-use baggage claim fee, the ticket counter requirement is divided by the number of deplaned destination passengers using the common-use baggage claim facility. Non-signatory airlines pay a 25 percent premium of this common-use baggage claim fee. The preferential baggage claim space rate per square foot is derived by subtracting the common-use baggage claim fees collected from the baggage claim requirement to arrive at a net baggage claim requirement and dividing this amount by the square footage of preferential baggage claim space. Deplaned destination passengers reflected between FY 2018 and FY 2022 are a portion of deplaned destination passengers projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

### *Holdroom and Loading Bridge Fee*

Holdrooms and loading bridges are leased on a common-use and preferential-use basis, and a common-use holdroom and loading bridge fee per arrival and a preferential leased holdroom space rate per square foot are charged. The holdroom and loading bridge requirement is derived from the average Terminal Building rental rate multiplied by total gate/holdroom space (the sum of holdroom, passenger security screening, and ramp tower space), and adding directly allocable equipment and other costs.

To derive the common use holdroom and loading bridge fee, the holdroom and loading bridge requirement is divided by the number of air carrier and commuter aircraft arrivals. Non-signatory airlines pay a 25 percent premium of this common-use holdroom and loading bridge fee. Total common use holdroom and loading bridge fee revenues are then multiplied by the number of air carrier and commuter aircraft arrivals at common-use gates. Air carrier plus commuter arrivals reflected between FY 2018 and FY 2022 are a portion of air carrier plus commuter arrivals projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year. The preferential leased holdroom space rate per square foot is derived by subtracting the total common use holdroom and loading bridge fees collected from the holdroom and loading bridge requirement to arrive at a net gate and loading bridge requirement, and dividing this number by the square footage of preferential leased holdroom space.

Rate calculations of the above rentals and fees are presented in Table A-9 through Table A-13 in Appendix A of this Report.

#### **4.9.4.2 Terminal Apron Cost Center**

Charges for use of the terminal apron will be determined based on a lease rate for preferential use or a use fee based on common use.

Terminal Apron fees are charged per arrival for common-use gates and per gate for preferentially leased gates. The net Terminal Apron rental requirement consists of O&M expenses, debt service and debt service coverage, amortization, Base Rent, and reserve account deposits associated with the Terminal Apron cost



center less remain overnight aircraft parking fees. A common use Terminal Apron fee per arrival is derived by dividing the net Terminal Apron requirement by the number of air carrier and commuter aircraft arrivals. Non-signatory airlines pay a 25 percent premium of this common use Terminal Apron fee per arrival. The cost per preferential leased gate is then calculated as the net Terminal Apron requirement less total common use terminal apron fees, divided by the number of preferentially leased gates. The projected Terminal Apron fees, including a common use terminal apron fee per arrival and the cost per preferential leased gate, are presented in Table A-14 in Appendix A of this Report.

#### 4.9.5 FUEL SYSTEM AND DIRECT AIRLINE CHARGES

Fees and charges for the fueling system, the rental of clubroom space, and tenant finishes and equipment are described below.

##### 4.9.5.1 Fueling System Cost Center

LGP is responsible for constructing and maintaining the portion of the hydrant fueling infrastructure contained within the New Terminal B apron area. The remaining portion of the new hydrant fueling system has not been constructed and may be completed in the future by the Port Authority. Table A-15 in Appendix A of this Report shows the Fueling System requirement of the LGP-completed portion of the fueling system. Upon completion of the remaining fueling system project, the Fueling System requirement shown Table A-15 will be amortized in airline fueling charges. Port Authority completion of the remainder of the fueling system project is subject to airline approval, the expected timing of which is not yet known, and therefore the financial projections do not include fueling system revenue.

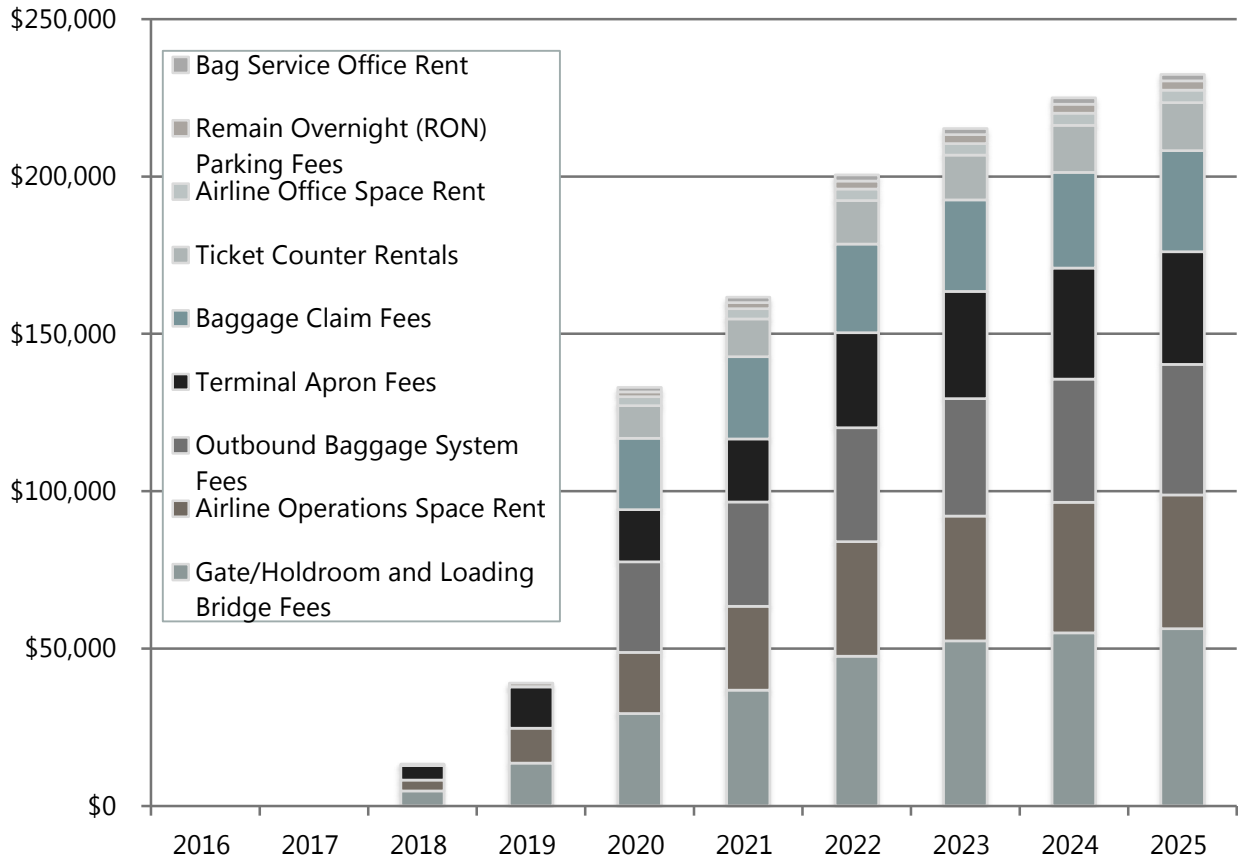
##### 4.9.5.2 Direct Airline Charges

Other projected direct airline charges includes clubroom rent and tenant finishes and equipment. These rents and charges are subject to airline preferences and use. Table A-16 in the Appendix A of this report shows an estimate of direct airline charges, including potential Fueling System requirements. As shown, direct airline charges are projected to be approximately \$2.2 million in 2018 and increase throughout the Projection Period to approximately \$23.9 million in 2025. However, it should be noted this revenue will be subject to change depending on the amount of clubroom space leased and types of tenant finishes.

#### 4.9.6 PROJECTED AIRLINE REVENUES

Table A-17 in Appendix A of this Report presents the projected airline revenues associated with New Terminal B, resulting from the previously described rentals and fees, excluding Fuel System charges, clubroom rents, and tenant finishes and equipment. Projected airline revenues from New Terminal B are also presented on **Exhibit 4-18**. As shown, airline revenues for New Terminal B are projected to increase throughout the Projection Period from approximately \$13.2 million in FY 2018 when the first component of New Terminal B is scheduled to be completed to approximately \$229.8 million in FY 2025. The increasing airline revenues are a function of increasing O&M Expenses and debt service associated with the phased completion of New Terminal B.

**Exhibit 4-18: Projected Airline Revenues from New Terminal B (in thousands)**



SOURCE: WJ Advisors LLC; Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

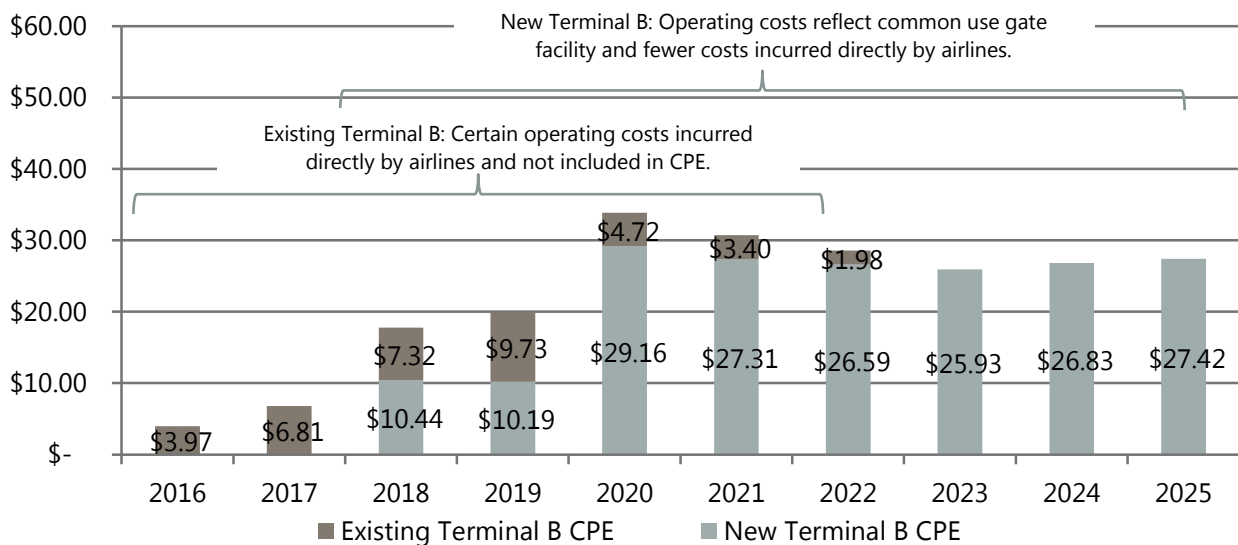
## 4.10 Terminal B Airline Cost per Enplaned Passenger

A general test of the reasonableness of airport user fees is to compare projected airline costs in a manner that accounts for airline activity. One approach is to measure airport user fees on a per enplaned passenger basis. By comparing airline cost per enplaned passenger (CPE) on a year-over-year basis the reasonableness of Terminal B user fees can be determined. The average airline CPE is calculated by dividing the total Terminal B airline revenues by the number of enplaned passengers in Terminal B.

**Exhibit 4-19** shows the projected average airline CPE at Existing and New Terminal B. The average airline CPE for the New Terminal B includes all rentals and fees paid by the airlines, excluding Fueling System fees, clubroom rents, and tenant finishes and equipment, for Terminal B. It should be noted that the average airline CPE for Existing Terminal B is not directly comparable to the average airline CPE for New Terminal B, as the redevelopment of Terminal B will result in a larger facility with improved maintenance operations, operated under a different airline use agreement. Also, expenses that are incurred directly by the airlines and that are

not included in the calculation of rentals and fees of Existing and New Terminal B are not reflected in the calculated average airline CPE. As shown, New Terminal B CPE is projected to increase from \$10.44 in FY 2018 to a high of \$29.16 in FY 2020, and then to decrease to between \$25.93 and \$27.42 through the Projection Period. Variances in the CPE during construction of New Terminal B are related primarily to construction phasing and the allocation of projected enplaned passengers between Existing and New Terminal B.

**Exhibit 4-19: Existing and New Terminal B Airline Cost per Enplaned Passenger**



SOURCE: WJ Advisors LLC; Societe Generale, April 2016.  
PREPARED BY: Ricondo & Associates, Inc., April 2016.

**R&A finds that the projected Terminal B Airline Revenues and associated user fees are reasonable.** As shown, the New Terminal B cost per enplaned passenger in FY 2025 is projected to be \$27.42. This cost incorporates construction and operation costs for New Terminal B. Although it is difficult to compare the cost of airport terminals incurred by airlines, the projected New Terminal B cost is anticipated to be among the highest in the country. The New Terminal B CPE is projected to meet or exceed the highest airport-wide CPEs that have been historically reported<sup>2</sup>. However, R&A finds the projected New Terminal B Airline Revenues and associated CPE to be reasonable based on the following;

- There is high demand to access the New York City market. The economic base, described in Chapter 3, influences the demand for travel. In 2014, the New York metropolitan area had the second highest GRP of all

<sup>2</sup> The highest airport-wide CPE metrics at large-hub airports have historically ranged between \$25 and \$30 (as reported in bond documents, financial statements and industry databases). However, the cost included in the CPE of each airport differs and is influenced by the costs that are charged to the airlines by the airport operator. Terminal facility costs paid directly by airlines are not included in airport CPEs.

metropolitan areas worldwide (second to Tokyo) and the tenth highest GRP per capita. The New York City market<sup>3</sup> was ranked first in the nation in terms of domestic O&D passengers in calendar year 2014.

- The Airport is well-positioned geographically in the New York market. It is centrally located in the Air Trade Area and is located closest to the densely populated core including Manhattan and the surrounding area.
- Aeronautical capacity constraints exist. Slot constraints exist at LaGuardia, JFK and Newark Liberty<sup>4</sup>. In addition, alternatives for the traffic forecast at Terminal B to be accommodated elsewhere at the Airport are limited.

The airline industry group Airlines for America published that non-aircraft rents and ownership accounted for approximately 4.3 percent of system-wide total airline operating costs<sup>5</sup>. Therefore, given the aforementioned strategic significance of the Airport and aeronautical capacity constraints, R&A estimates the projected New Terminal B user fees are reasonable and will not deter the air traffic forecast at New Terminal B.

Airline costs inclusive of potential clubroom rents, tenant finishes and equipment, and fueling system charges, if incurred as projected, would increase the CPE in 2025 from \$27.42 to \$30.12. These costs are subject to change depending on the amount of clubroom space leased and timing of the Port Authority completing the remainder of the fueling system.

---

## 4.11 Cash Flow and Debt Service Coverage

---

Table A-18 in Appendix A of this Report presents the cash flow analyzed in this report for LGP in operating Existing and New Terminal B from FY 2016 through FY 2025. Included in this cash flow are Existing and New Terminal B Airline Revenues, non-airline Revenues, Investment Earnings, O&M Expenses, working capital, reserve requirements and adjustments, debt service, Base Rent, and additional rent.

Table A-18 also presents the debt service coverage ratios projected for the Series 2016 Bonds from the completion of the Series 2016 Project through the Projection Period. As contained in the Senior Loan Agreement:

---

<sup>3</sup> Includes John F. Kennedy International, Newark Liberty International, LaGuardia, Stewart International, Westchester County, and Long Island MacArthur Airports.

<sup>4</sup> Information on slot constraints, including the designation of Newark Liberty from an International Air Transport Association Level 3 (slot controlled) to a Level 2 (schedule facilitated) airport effective October 30, 2016, can be found in Chapter 3. The impact of the slot constraint change at Newark Liberty has been incorporated in the forecasted activity included in this Report.

<sup>5</sup> According to data collected by Airlines for America, in the third quarter of 2015 approximately 4.3 percent of passenger airline operating expenses went to non-aircraft rents and ownership and approximately 2.1 percent went to landing fees.

(a) The Borrower covenants and agrees to take all lawful measures to collect Project Revenues sufficient, after paying all Permitted O&M Expenses, to achieve a Senior Debt Service Coverage Ratio of 1.25x in a respective Fiscal Year, both on a prospective basis (based on the Borrower's annual budget) and on a retrospective basis (based on its annual audited financial statements); provided, however if the 1.25x requirement is not projected to be met for an upcoming Fiscal Year, the Borrower shall retain an Airport Consultant to recommend revisions to the Borrower's annual budget and, after taking into account such recommendations, revise its annual budget to produce (to the extent practicable using prudent business judgment) sufficient Project Revenues to satisfy such 1.25x requirement.

(b) The failure of the Borrower to satisfy such 1.25x requirement as provided in subsection (a) shall not be deemed an Event of Default under Article VIII of the Indenture unless the Borrower has the reasonable opportunity to implement the Airport Consultant's recommendations (and in any case no less than a year).

(c) Notwithstanding subsection (b) above, if after the Borrower has (to the extent practicable using prudent business judgment) taken the measures to implement the Airport Consultant's recommendations the Senior Debt Service Coverage Ratio remains less than 1.25x (as evidenced by the audit report for such Fiscal Year) there shall be an Event of Default pursuant to Article VIII of the Indenture.

(d) The Borrower covenants and agrees it shall obtain Rating Confirmation prior to the issuance of any Subordinate Bonds.

The Debt Service coverage ratios projected for the Series 2016 Bonds from the completion of the Project is projected to meet the minimum requirement of 1.25x through the Projection Period.

---

## 4.12 Supplemental Long-Term Financial Projections

---

For purposes of this Report, the Projection Period is through FY 2025. However, LGP has contemplated financial projections through the term of the Lease between LGP and the Port Authority, which is through FY 2050. While the calculations extend beyond FY 2025, R&A conducted minimal analysis to determine the validity of the financial projections beyond FY 2025. Table A-19 in Appendix A of this Report presents total projected Project Revenues and projected expenditures in FY 2030, FY 2040, and FY 2050. In each year of the projection, Project Revenues are projected to be sufficient to cover projected expenditures.

---

## 4.13 Assumptions for Financial Projections

---

The techniques and methodologies used in preparing this financial analysis are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes that the

approach and assumptions used are reasonable, some assumptions regarding future trends and events presented in this Report, including, but not limited to, the implementation schedule and enplanement projections, may not materialize. Achievement of the projections presented in this Report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

---

## 4.14 Sensitivity Scenario

---

The following section describes an analysis that was conducted to test the sensitivity of the financial projections presented in this Report per a hypothetical reduction in enplanement activity at the Airport. The sensitivity analysis should not be considered a projection of future results, and it is presented for illustrative purposes only. As this analysis is only intended for testing the sensitivity of such a hypothetical reduction on financial projections, it is important to note that in the event of dramatic changes to the Airport's passenger activity, it is likely that LGP would take immediate steps to mitigate financial impacts, such as reducing its O&M Expenses, restructuring debt service, revisiting LGP asset repair and replacement needs, as well as taking other initiatives. These steps were not included as part of this analysis.

In an effort to demonstrate the impacts of a hypothetical activity reduction at the Airport, the sensitivity analysis was developed to assess the impacts of an ongoing 10 percent reduction in activity from Terminal B enplanement projections. Table A-20 in Appendix A of this Report presents the key results of the sensitivity analysis, including the impacts on concessions and other nonairline revenues, projected airline CPE, and debt service coverage calculations. This scenario assumes no impacts to the projected O&M Expenses or airline revenues in this Report. The reduction in enplanements reduces projected terminal concessions revenues and also reduces the denominator in the CPE calculation, which increases the projected CPE. The decrease in terminal concessions revenues results in a decrease in debt service coverage by approximately 0.03x annually.

## Appendix A

### Projected Financial Results



THIS PAGE INTENTIONALLY LEFT BLANK



**Table A-1 (1 of 2): Operating and Maintenance Expenses**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016 <sup>1/</sup>	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Existing Terminal B</b>										
Personnel	\$4,858	\$8,915	\$8,639	\$8,478	\$2,754	\$1,662	\$0	\$0	\$0	\$0
Repairs and Maintenance	6,533	2,597	2,589	2,503	2,062	737	110	0	0	0
Outsourced Services	9,212	15,860	24,195	16,292	12,310	6,837	157	0	0	0
Utilities	3,407	5,927	5,448	4,887	2,924	1,736	0	0	0	0
General Administrative	7,086	1,746	1,492	1,304	485	237	1	0	0	0
Insurance	1,155	718	488	499	203	206	210	0	0	0
Other	184	321	328	335	142	0	0	0	0	0
<b>O&amp;M Expenses - Existing Terminal B</b>	<b>\$32,436</b>	<b>\$36,083</b>	<b>\$43,179</b>	<b>\$34,297</b>	<b>\$20,879</b>	<b>\$11,417</b>	<b>\$477</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>New Terminal B</b>										
Personnel	\$0	\$0	\$1,649	\$4,120	\$12,235	\$14,869	\$19,720	\$20,252	\$20,817	\$21,397
Repairs and Maintenance	0	87	598	863	4,039	7,044	7,194	8,593	8,748	10,336
Outsourced Services	0	0	2,336	6,248	20,232	26,148	28,822	27,582	28,088	28,602
Utilities	0	0	1,291	2,866	10,241	11,558	12,323	12,710	13,003	13,303
General Administrative	0	0	182	427	2,404	2,697	2,933	3,004	3,096	3,191
Insurance	128	239	488	499	811	826	6,536	7,730	7,869	8,011
Other	0	0	0	0	0	0	242	737	753	764
<b>O&amp;M Expenses - New Terminal B</b>	<b>\$128</b>	<b>\$326</b>	<b>\$6,545</b>	<b>\$15,023</b>	<b>\$49,962</b>	<b>\$63,142</b>	<b>\$77,770</b>	<b>\$80,608</b>	<b>\$82,374</b>	<b>\$85,604</b>

**Table A-1 (2 of 2): Operating and Maintenance Expenses**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016 <sup>1/</sup>	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>New Terminal B O&amp;M - By Cost Center</b>										
Terminal Building		\$326	\$5,337	\$12,354	\$42,965	\$54,082	\$66,965	\$69,012	\$70,573	\$73,141
Baggage Claim		0	0	0	1,584	2,055	2,204	2,206	2,243	2,477
Outbound Baggage System		0	0	0	525	1,117	1,197	1,199	1,219	1,543
Common Use Terminal Equipment		0	609	1,143	2,387	2,864	3,083	3,086	3,139	3,282
FIDs/BIDs		0	0	0	0	0	0	0	0	0
Tenant Finish/Equipment		0	0	0	0	0	0	0	0	0
Holdroom Equipment		0	0	0	0	0	0	0	0	0
Loading Bridges		0	60	63	98	138	148	390	397	335
Terminal Apron		0	201	886	1,114	1,362	2,355	2,502	2,545	2,602
Utilities		0	0	0	0	0	0	0	0	0
CHRP		0	338	578	1,287	1,519	1,684	1,899	1,938	1,874
Frontage		0	0	0	0	0	128	219	223	265
Terminal Connector		0	0	0	0	0	0	0	0	0
Fueling System		0	0	0	2	5	6	95	97	85
<b>O&amp;M Expenses - New Terminal B</b>	<b>\$0</b>	<b>\$326</b>	<b>\$6,545</b>	<b>\$15,023</b>	<b>\$49,962</b>	<b>\$63,142</b>	<b>\$77,770</b>	<b>\$80,608</b>	<b>\$82,374</b>	<b>\$85,604</b>
<b>Existing and New Terminal B</b>										
Personnel	\$4,858	\$8,915	\$10,288	\$12,598	\$14,989	\$16,531	\$19,720	\$20,252	\$20,817	\$21,397
Repairs and Maintenance	6,533	2,684	3,187	3,366	6,101	7,781	7,304	8,593	8,748	10,336
Outsourced Services	9,212	15,860	26,531	22,539	32,542	32,986	28,979	27,582	28,088	28,602
Utilities	3,407	5,927	6,739	7,753	13,165	13,295	12,323	12,710	13,003	13,303
General Administrative	7,086	1,746	1,674	1,731	2,889	2,934	2,934	3,004	3,096	3,191
Insurance	1,283	957	977	998	1,014	1,032	6,746	7,730	7,869	8,011
Other	184	321	328	335	142	0	242	737	753	764
<b>O&amp;M Expenses - Existing and New Terminal B</b>	<b>\$32,565</b>	<b>\$36,409</b>	<b>\$49,724</b>	<b>\$49,320</b>	<b>\$70,842</b>	<b>\$74,559</b>	<b>\$78,246</b>	<b>\$80,608</b>	<b>\$82,374</b>	<b>\$85,604</b>
<b>Percent Annual Increase in O&amp;M - Existing and New Terminal B</b>		<b>11.81%</b>	<b>36.57%</b>	<b>-0.81%</b>	<b>43.64%</b>	<b>5.25%</b>	<b>4.95%</b>	<b>3.02%</b>	<b>2.19%</b>	<b>3.92%</b>

NOTE:

1/ Reflects partial year data beginning from the assumed financial close (June 2016).

SOURCES: Ricondo & Associates, Inc.; Vantage Airport Group Ltd.; and Societe Generale, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

[B1-146]

**Table A-2: Asset Replacement**

(Dollars in Thousands for Fiscal Years Ending December 31)

	2016 <sup>1/</sup>	2017	2018	2019	PROJECTED						
					2020	2021	2022	2023	2024	2025	
<b>Existing Terminal B - Major Maintenance and Renewal</b>											
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	\$139	\$241	\$247	\$252	\$107						
Electrical; Substation Equipment and Controls	46	80	81	83	35						
<b>Existing Terminal B Asset Replacement</b>	<b>\$184</b>	<b>\$321</b>	<b>\$328</b>	<b>\$335</b>	<b>\$142</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>New Terminal B - Major Maintenance and Renewal</b>											
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Security Access Control System	0	0	0	0	0	0	0	0	0	0	327
Structural Landside; Elevated Structures; Terminal Components	0	0	0	0	0	0	0	99	101	371	
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	0	0	0	0	0	0	0	0	0	6	
Electrical - Circulation; Moving walkways, escalators; Elevators	0	0	0	0	0	0	0	0	0	0	
Electrical; Substation Equipment and Controls	0	0	0	0	0	0	0	71	72	604	
Building Envelope; Exterior Enclosure; Roofing	0	0	0	0	0	0	0	0	0	0	
Baggage Handling; Make-up Systems; Baggage Claim Carrousel and Conveyors	0	0	0	0	0	0	0	0	0	0	
Civil Roadways - Pavement; Landside Pavement (On grade, Elevated); Airside Pavement	0	0	0	0	0	0	0	14	14	7	
Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System	0	0	0	0	0	0	0	0	0	48	
Underground and Above Ground Tank Systems	0	0	0	0	0	0	0	0	0	0	
<b>New Terminal B - Asset Replacement</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$184</b>	<b>\$188</b>	<b>\$1,364</b>	

NOTE:

1/ Reflects partial year data beginning from the assumed financial close (June 2016).

SOURCES: Stantec; Vantage Airport Group Ltd.; Societe Generale, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-3: Concession Revenues and Other Nonairline Revenues**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016 <sup>1/</sup>	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Nonairline Revenues - Existing Terminal B</b>										
Food & Beverage	\$3,234	\$6,131	\$5,988	\$5,809	\$2,269	\$1,334				
News	1,418	2,629	2,510	2,376	1,282	817				
Specialty Retail	522	937	963	983	174	35				
Duty Free	537	1,002	1,041	1,072	398	186				
Services	498	915	821	731	424	336				
Telecommunications	108	177	155	128	29	9				
Advertising	1,265	2,071	1,811	1,498	368	167				
Common area maintenance	401	962	938	913	251	83				
Marketing charges	115	275	264	254	84	39				
Other	129	537	816	1,078	531	365				
<b>Total Nonairline Revenues - Existing Terminal B</b>	<b>\$8,226</b>	<b>\$15,637</b>	<b>\$15,307</b>	<b>\$14,842</b>	<b>\$5,810</b>	<b>\$3,371</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Nonairline Revenues - New Terminal B</b>										
Food & Beverage			\$406	\$913	\$7,476	\$10,652	\$13,188	\$14,418	\$14,897	\$15,377
News			210	518	3,091	3,849	4,307	4,708	4,865	5,022
Specialty Retail			69	196	5,587	7,101	7,773	8,498	8,780	9,063
Duty Free			0	0	1,836	2,362	2,592	2,833	2,927	3,022
Services			217	463	1,802	2,234	2,800	2,991	3,066	3,142
Telecommunications			32	68	205	239	259	281	289	297
Advertising			349	755	2,786	4,236	4,612	5,042	5,209	5,377
Common area maintenance			141	331	1,515	1,934	2,118	2,156	2,194	2,234
Marketing charges			35	83	373	476	522	532	541	551
Other			19	44	473	631	736	804	831	858
<b>Total Nonairline Revenues - New Terminal B</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,476</b>	<b>\$3,371</b>	<b>\$25,145</b>	<b>\$33,714</b>	<b>\$38,905</b>	<b>\$42,262</b>	<b>\$43,601</b>	<b>\$44,942</b>

NOTE:

1/ Reflects partial year data beginning from the assumed financial close (June 2016).

SOURCES: Pragma Consulting; Societe Generale, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

[B1-148]

**Table A-4: Annual Debt Service and Airline Debt Service Requirement**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Series 2016 Bond Debt Service</b>									
<b>Total Debt Service</b>	<b>\$0</b>	<b>\$7,473</b>	<b>\$23,120</b>	<b>\$83,613</b>	<b>\$101,141</b>	<b>\$117,303</b>	<b>\$124,728</b>	<b>\$131,956</b>	<b>\$134,328</b>
<b>Airline Debt Service Requirement</b>	<b>\$0</b>	<b>\$7,473</b>	<b>\$23,120</b>	<b>\$83,613</b>	<b>\$101,141</b>	<b>\$116,198</b>	<b>\$121,411</b>	<b>\$128,640</b>	<b>\$131,012</b>
<b>Airline Payable Debt Service By Cost Center</b>									
Terminal Building		\$3,482	\$10,315	\$48,047	\$59,303	\$65,833	\$67,971	\$72,352	\$73,790
Baggage Claim		0	0	3,996	4,795	4,826	4,887	5,246	5,364
Outbound Baggage System		0	0	1,332	1,598	1,609	1,629	1,749	1,788
Common Use Terminal Equipment		0	0	586	796	832	847	913	935
FIDs/BIDs		0	0	0	0	0	0	0	0
Tenant Finish/Equipment		0	0	0	0	3,973	4,387	4,387	4,387
Holdroom Equipment		28	106	166	196	203	207	220	224
Loading Bridges		738	2,250	2,584	2,944	3,389	3,757	3,927	3,983
Terminal Apron		980	2,408	2,955	3,297	4,178	4,571	4,757	4,818
Utilities		1,500	4,189	5,401	6,269	6,915	7,277	7,658	7,783
CHRP		744	2,255	8,135	9,831	11,565	12,005	12,707	12,937
Frontage		0	0	8,495	10,194	10,538	10,697	11,459	11,709
Terminal Connector		0	1,597	1,917	1,917	1,930	1,957	2,046	2,075
Fueling System		0	0	0	0	406	1,219	1,219	1,219
<b>Total Debt Service</b>	<b>\$0</b>	<b>\$7,473</b>	<b>\$23,120</b>	<b>\$83,613</b>	<b>\$101,141</b>	<b>\$116,198</b>	<b>\$121,411</b>	<b>\$128,640</b>	<b>\$131,012</b>

NOTE: Net of Capitalized Interest

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-5: Annual Amortization of LGP Cash Contributions**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Amortization of LGP Cash Contributions</b>										
LGP Infrastructure Investment - \$200 Million		\$0	\$0	\$0	\$0	\$0	\$14,205	\$19,483	\$19,483	\$19,483
Pre-New Terminal B DBO Cash Flow and Interest Earnings		\$0	\$0	\$0	\$0	\$0	\$2,174	\$4,486	\$4,486	\$4,486
<b>Total Amortization</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,379</b>	<b>\$23,969</b>	<b>\$23,969</b>	<b>\$23,969</b>
<b>Airline Amortization Requirement</b>										
		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,893</b>	<b>\$22,957</b>	<b>\$22,957</b>	<b>\$22,957</b>
<u>Airline Payable Amortization By Cost Center</u>										
Terminal Building		\$0	\$0	\$0	\$0	\$0	\$8,152	\$11,342	\$11,342	\$11,342
Baggage Claim		0	0	0	0	0	94	195	195	195
Outbound Baggage System		0	0	0	0	0	31	65	65	65
Common Use Terminal Equipment		0	0	0	0	0	242	282	282	282
FIDs/BIDs		0	0	0	0	0	0	0	0	0
Tenant Finish/Equipment		0	0	0	0	0	85	177	177	177
Holdroom Equipment		0	0	0	0	0	53	62	62	62
Loading Bridges		0	0	0	0	0	1,584	2,504	2,504	2,504
Terminal Apron		0	0	0	0	0	2,713	3,794	3,794	3,794
Utilities		0	0	0	0	0	2,404	3,470	3,470	3,470
CHRP		0	0	0	0	0	282	546	546	546
Frontage		0	0	0	0	0	213	435	435	435
Terminal Connector		0	0	0	0	0	40	84	84	84
<b>Total Amortization</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,893</b>	<b>\$22,957</b>	<b>\$22,957</b>	<b>\$22,957</b>

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

[B1-150]

**Table A-6: Existing Terminal B Estimated Airline Revenues**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016 <sup>1/</sup>	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Existing Terminal B - Airline Revenues by Functional Area</b>										
Headhouse	\$14,333	\$25,063	\$24,050	\$22,987	\$3,908	\$0	\$0			
Concourses - Gates	12,275	21,154	17,469	9,135	7,293	3,811	309			
Concourses - Other	2,124	3,715	3,589	3,457	3,066	2,188	186			
<b>Total Existing Terminal B Airline Revenues</b>	<b>\$28,733</b>	<b>\$49,932</b>	<b>\$45,109</b>	<b>\$35,579</b>	<b>\$14,267</b>	<b>\$6,000</b>	<b>\$495</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

NOTE:

1/ Reflects partial year data beginning from the assumed financial close (June 2016).

SOURCES: Societe Generale, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-7: Fund Deposit and Ground Rent Requirements**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016 <sup>1/</sup>	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Required Fund Deposits</b>										
<b>O&amp;M Reserve Account</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$518</b>	<b>\$515</b>	<b>\$1,267</b>	<b>\$564</b>
BY NEW TERMINAL B COST CENTER										
Terminal Building							\$458	\$455	\$1,119	\$496
Ticket Counters							21	20	48	22
Outbound Baggage							8	8	19	10
Baggage Claim							15	14	35	16
Holdroom and Loading Bridge							1	2	6	2
Apron							16	16	39	17
Fueling System							0	1	1	1
<b>Total</b>							<b>\$518</b>	<b>\$515</b>	<b>\$1,267</b>	<b>\$564</b>
<b>Major Maintenance and Renewal Account</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$406</b>	<b>\$1,698</b>	<b>\$2,013</b>	<b>\$4,345</b>
BY NEW TERMINAL B COST CENTER										
Terminal Building							\$0	\$1,445	\$1,584	\$1,937
Outbound Baggage							0	19	19	1,158
Baggage Claim							0	13	13	772
Holdroom and Loading Bridge							0	222	397	479
<b>Total</b>							<b>\$0</b>	<b>\$1,698</b>	<b>\$2,013</b>	<b>\$4,345</b>
<b>Base Rent Requirement</b>	<b>\$8,750</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$15,300</b>	<b>\$15,606</b>	<b>\$15,918</b>	<b>\$16,236</b>	<b>\$16,561</b>	<b>\$16,892</b>
BY COST CENTER										
Terminal Building	\$0	\$0	\$414	\$1,097	\$2,820	\$3,471	\$3,991	\$4,207	\$4,291	\$4,377
Apron	0	0	1,665	5,047	6,321	8,502	11,129	12,029	12,270	12,515
Existing Terminal B	8,750	15,000	12,921	8,856	6,159	3,633	798	0	0	0
<b>Total</b>	<b>\$8,750</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$15,300</b>	<b>\$15,606</b>	<b>\$15,918</b>	<b>\$16,236</b>	<b>\$16,561</b>	<b>\$16,892</b>

NOTE:

1/ Reflects partial year data beginning from the assumed financial close (June 2016).

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.



**Table A-8: Summary of New Terminal B Rentable Space**

(Square Feet in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Airline Revenue-Producing Space</b>										
Airline Ticketing Space			-	-	17,575	17,575	19,309	19,668	19,668	19,668
Airline Kiosk			-	-	13,933	13,933	13,933	13,933	13,933	13,933
Airline Operations Area (Ramp Level Space)			28,371	47,359	85,885	104,994	130,139	137,432	137,432	137,432
Baggage Claim Space			-	-	70,728	70,728	70,728	70,728	70,728	70,728
Outbound Baggage Space			-	-	111,231	111,231	111,231	111,231	111,231	111,231
Baggage Make-Up Space			-	-	6,609	6,609	6,609	6,609	6,609	6,609
Bag Service Office Space			-	-	6,717	6,717	6,717	6,717	6,717	6,717
Airline Offices			-	-	17,207	17,207	17,207	17,207	17,207	17,207
Holdroom Space			30,581	44,909	53,392	67,755	86,410	92,568	92,568	92,568
Airline Clubroom - Exclusive			15,227	17,862	26,866	31,698	43,281	46,226	46,226	46,226
Ramp Control Tower			-	-	415	415	415	415	415	415
Passenger Security Screening			-	-	60,338	60,338	60,338	60,338	60,338	60,338
Other Airline Revenue-Producing Space			504	504	504	504	504	504	504	504
<b>Total Airline Revenue-Producing Space</b>			<b>74,683</b>	<b>110,634</b>	<b>471,400</b>	<b>509,704</b>	<b>566,820</b>	<b>583,576</b>	<b>583,576</b>	<b>583,576</b>
<b>Non-Airline Revenue-Producing Space</b>										
Food & Beverage			10,252	11,442	38,358	45,441	49,375	50,495	50,495	50,495
Retail			4,357	5,647	24,348	28,531	30,245	30,683	30,683	30,683
Duty Free			0	0	13,698	13,698	13,698	13,698	13,698	13,698
Other Concessions			0	0	132	132	132	132	132	132
Concessions Storage Space (Ramp Level)			4,644	4,644	17,776	24,227	24,227	24,227	24,227	24,227
TSA Office/Support Space			0	0	12,071	12,071	12,071	12,071	12,071	12,071
<b>Total Non-Airline Revenue-Producing Space</b>			<b>19,253</b>	<b>21,733</b>	<b>106,383</b>	<b>124,100</b>	<b>129,748</b>	<b>131,306</b>	<b>131,306</b>	<b>131,306</b>
<b>TOTAL REVENUE-PRODUCING SPACE</b>			<b>93,936</b>	<b>132,366</b>	<b>577,783</b>	<b>633,804</b>	<b>696,568</b>	<b>714,882</b>	<b>714,882</b>	<b>714,882</b>

SOURCES: WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

[B1-153]

**Table A-9: New Terminal B Rental Rate Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Terminal Building Requirement</b>										
O&M Expenses			\$5,675	\$12,932	\$44,252	\$55,601	\$68,776	\$71,130	\$72,734	\$75,280
Debt Service <sup>1/</sup>			4,226	13,368	65,635	80,286	88,901	91,651	97,541	99,474
Debt Service Coverage (25%)			1,057	3,342	16,409	20,071	22,225	22,913	24,385	24,868
Amortization <sup>1/</sup>			0	0	0	0	8,667	12,365	12,365	12,365
Base Rent			414	1,097	2,820	3,471	3,991	4,207	4,291	4,377
O&M Reserve Account Deposit <sup>1/</sup>							458	455	1,119	496
Maintenance Reserve Account Deposit <sup>1/</sup>							0	1,445	1,584	1,937
<b>Total Terminal Building Requirement</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,371</b>	<b>\$30,739</b>	<b>\$129,115</b>	<b>\$159,430</b>	<b>\$193,019</b>	<b>\$204,166</b>	<b>\$214,019</b>	<b>\$218,798</b>
Rentable Space (in thousands square feet)			94	132	578	634	697	715	715	715
<b>Terminal Building Rental Rate (per square foot)</b>			<b>\$121.06</b>	<b>\$232.22</b>	<b>\$223.47</b>	<b>\$251.54</b>	<b>\$277.10</b>	<b>\$285.59</b>	<b>\$299.38</b>	<b>\$306.06</b>

NOTE:

<sup>1/</sup> Includes Terminal Building, CHRP, Frontage, and 50% of Terminal Connector

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-10: New Terminal B Ticket Counter Rental Rate Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Average Terminal Building Rental Rate (per square foot)			\$121.06	\$232.22	\$223.47	\$251.54	\$277.10	\$285.59	\$299.38	\$306.06
Airline Ticketing Space (in thousands square feet)			0	0	18	18	20	20	20	20
Airline Kiosk Space (in thousands square feet)			0	0	14	14	14	14	14	14
Total Airline Ticket Counter Space (in thousands square feet)			0	0	32	32	34	34	34	34
Cost of Ticket Counter Space			\$46	\$88	\$7,125	\$8,021	\$9,316	\$9,704	\$10,173	\$10,400
Plus: Directly Allocable Equipment and Other Costs										
O&M Expenses			\$0	\$0	\$2,387	\$2,864	\$3,083	\$3,086	\$3,139	\$3,282
Debt Service			0	0	586	796	832	847	913	935
Debt Service Coverage (25%)			0	0	147	199	208	212	228	234
Amortization			0	0	0	0	242	282	282	282
O&M Reserve Account Deposit							21	20	48	22
Directly Allocable Equipment and Other Costs			\$0	\$0	\$3,120	\$3,858	\$4,386	\$4,447	\$4,611	\$4,755
<b>TOTAL TICKET COUNTER REQUIREMENT</b>			<b>\$46</b>	<b>\$88</b>	<b>\$10,245</b>	<b>\$11,879</b>	<b>\$13,702</b>	<b>\$14,152</b>	<b>\$14,784</b>	<b>\$15,155</b>
<b>Common Use Charges and Revenues</b>										
Ticket Counter Requirement			\$46	\$88	\$10,245	\$11,879	\$13,702	\$14,152	\$14,784	\$15,155
Divided by: Originating Passengers <sup>1/</sup> (thousands)			1,158	3,485	4,140	5,370	6,840	7,531	7,602	7,666
<b>Common Use Ticket Counter Fee (per originating passenger)</b>			<b>\$0.04</b>	<b>\$0.03</b>	<b>\$2.47</b>	<b>\$2.21</b>	<b>\$2.00</b>	<b>\$1.88</b>	<b>\$1.94</b>	<b>\$1.98</b>
<b>Preferential Use Rate and Revenues</b>										
Ticket Counter Requirement			\$46	\$88	\$10,245	\$11,879	\$13,702	\$14,152	\$14,784	\$15,155
Less: Common Use Ticket Counter Fees			0	0	0	0	0	0	0	0
Net Ticket Counter Requirement			\$46	\$88	\$10,245	\$11,879	\$13,702	\$14,152	\$14,784	\$15,155
Total Airline Ticket Counter Space (in thousands square feet)			0.4	0.4	32	32	34	34	34	34
<b>Preferential Airline Ticket Counter Rate (per square foot)</b>			<b>\$121.06</b>	<b>\$232.22</b>	<b>\$321.31</b>	<b>\$372.55</b>	<b>\$407.56</b>	<b>\$416.48</b>	<b>\$435.09</b>	<b>\$446.00</b>

NOTE:

1/ Originating passengers reflected between 2018 and 2022 are a portion of the originating passengers projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

[B1-155]

**Table A-11: New Terminal B Outbound Baggage System Fee Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Average Terminal Building Rental Rate (per square foot)			\$121.06	\$232.22	\$223.47	\$251.54	\$277.10	\$285.59	\$299.38	\$306.06
Outbound Baggage System Space (in thousands square feet)			0	0	111	111	111	111	111	111
Bag Make Up Space (in thousands square feet)			0	0	7	7	7	7	7	7
Total Baggage System Space (in thousands square feet)			0	0	118	118	118	118	118	118
Cost of Baggage System Space			\$0	\$0	\$26,333	\$29,642	\$32,653	\$33,654	\$35,279	\$36,066
Plus: Directly Allocable Equipment and Other Costs										
O&M Expenses			\$0	\$0	\$525	\$1,117	\$1,197	\$1,199	\$1,219	\$1,543
Debt Service			0	0	1,332	1,598	1,609	1,629	1,749	1,788
Debt Service Coverage (25%)			0	0	333	400	402	407	437	447
Amortization			0	0	0	0	31	65	65	65
O&M Reserve Account Deposit							8	8	19	10
Maintenance Reserve Account Deposit							0	19	19	1,158
Directly Allocable Equipment and Other Costs			\$0	\$0	\$2,191	\$3,115	\$3,247	\$3,327	\$3,508	\$5,010
<b>TOTAL OUTBOUND BAGGAGE SYSTEM REQUIREMENT</b>			<b>\$0</b>	<b>\$0</b>	<b>\$28,524</b>	<b>\$32,757</b>	<b>\$35,901</b>	<b>\$36,981</b>	<b>\$38,786</b>	<b>\$41,077</b>
Divided by: Originating Passengers (thousands)			1,158	3,485	4,140	5,370	6,840	7,531	7,602	7,666
<b>Outbound Baggage System Fee (per originating passenger)</b>			<b>N/A</b>	<b>N/A</b>	<b>\$6.89</b>	<b>\$6.10</b>	<b>\$5.25</b>	<b>\$4.91</b>	<b>\$5.10</b>	<b>\$5.36</b>

NOTE:

1/ Originating passengers reflected between 2018 and 2022 are a portion of the originating passengers projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-12: New Terminal B Baggage Claim Fee Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Average Terminal Building Rental Rate (per square foot)			\$121.06	\$232.22	\$223.47	\$251.54	\$277.10	\$285.59	\$299.38	\$306.06
Total Bag Claim Space (in thousands square feet)			0	0	71	71	71	71	71	71
Cost of Bag Claim Space			\$0	\$0	\$15,805	\$17,791	\$19,599	\$20,199	\$21,174	\$21,647
Plus: Directly Allocable Equipment and Other Costs										
O&M Expenses			\$0	\$0	\$1,584	\$2,055	\$2,204	\$2,206	\$2,243	\$2,477
Debt Service			0	0	3,996	4,795	4,826	4,887	5,246	5,364
Debt Service Coverage (25%)			0	0	999	1,199	1,207	1,222	1,311	1,341
Amortization			0	0	0	0	94	195	195	195
O&M Reserve Account Deposit							15	14	35	16
Maintenance Reserve Account Deposit							0	13	13	772
Directly Allocable Equipment and Other Costs			\$0	\$0	\$6,579	\$8,049	\$8,345	\$8,537	\$9,043	\$10,165
<b>TOTAL BAGGAGE CLAIM REQUIREMENT</b>			<b>\$0</b>	<b>\$0</b>	<b>\$22,384</b>	<b>\$25,841</b>	<b>\$27,943</b>	<b>\$28,737</b>	<b>\$30,218</b>	<b>\$31,812</b>
<b>Common Use Charges and Revenues</b>										
Baggage Claim Requirement			\$0	\$0	\$22,384	\$25,841	\$27,943	\$28,737	\$30,218	\$31,812
Divided by: Deplaned Destination Passengers <sup>1/</sup> (thousands)			1,152	3,466	4,117	5,340	6,802	7,489	7,560	7,624
<b>Common Use Baggage Claim Fee (per destination passenger)</b>			<b>\$0.00</b>	<b>\$0.00</b>	<b>\$5.44</b>	<b>\$4.84</b>	<b>\$4.11</b>	<b>\$3.84</b>	<b>\$4.00</b>	<b>\$4.17</b>
<b>Preferential Use Rate and Revenues</b>										
Baggage Claim Requirement			\$0	\$0	\$22,384	\$25,841	\$27,943	\$28,737	\$30,218	\$31,812
Net Bag Claim Requirement			\$0	\$0	\$22,384	\$25,841	\$27,943	\$28,737	\$30,218	\$31,812
Preferential Leased Baggage Claim Space (in thousands square feet)			0	0	71	71	71	71	71	71
<b>Preferential Baggage Claim Fee (per square foot)</b>			<b>N/A</b>	<b>N/A</b>	<b>\$316.49</b>	<b>\$365.35</b>	<b>\$395.08</b>	<b>\$406.30</b>	<b>\$427.24</b>	<b>\$449.78</b>

NOTE:

<sup>1/</sup> Deplaned destination passengers reflected between 2018 and 2022 are a portion of deplaned destination passengers projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-13: New Terminal B Holdroom and Loading Bridge Fee Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Average Terminal Building Rental Rate (per square foot)			\$121.06	\$232.22	\$223.47	\$251.54	\$277.10	\$285.59	\$299.38	\$306.06
Holdroom Space (in thousands square feet)			31	45	53	68	86	93	93	93
Passenger Security Screening Space (in thousands square feet)			0	0	60	60	60	60	60	60
Ramp Tower Space (in thousands square feet)			0	0	0	0	0	0	0	0
Total Gate/Holdroom Space (in thousands square feet)			31	45	114	129	147	153	153	153
Cost of Gate/Holdroom Space			\$3,702	\$10,429	\$25,508	\$32,325	\$40,779	\$43,787	\$45,901	\$46,926
Plus: Directly Allocable Equipment and Other Costs										
O&M Expenses			\$60	\$63	\$98	\$138	\$148	\$390	\$397	\$335
Debt Service <sup>1/</sup>			767	2,355	2,750	3,140	3,592	3,965	4,147	4,207
Debt Service Coverage (25%)			192	589	688	785	898	991	1,037	1,052
Amortization <sup>1/</sup>			0	0	0	0	1,636	2,566	2,566	2,566
O&M Reserve Account Deposit							1	2	6	2
Maintenance Reserve Account Deposit							0	222	397	479
Directly Allocable Equipment and Other Costs			\$1,019	\$3,007	\$3,535	\$4,064	\$6,276	\$8,137	\$8,551	\$8,641
<b>TOTAL HOLDROOM AND LOADING BRIDGE REQUIREMENT</b>			<b>\$4,721</b>	<b>\$13,436</b>	<b>\$29,043</b>	<b>\$36,389</b>	<b>\$47,055</b>	<b>\$51,924</b>	<b>\$54,451</b>	<b>\$55,567</b>
<b>Common Use Charges and Revenues</b>										
Total Gate/Holdroom Requirement			\$4,721	\$13,436	\$29,043	\$36,389	\$47,055	\$51,924	\$54,451	\$55,567
Divided by: Number of Air Carrier and Commuter Arrivals (thousands)			25	75	89	115	146	182	182	182
<b>Common Use Holdroom and Loading Bridge Charge (per arrival)</b>			<b>\$188.89</b>	<b>\$178.75</b>	<b>\$326.41</b>	<b>\$316.71</b>	<b>\$323.12</b>	<b>\$285.79</b>	<b>\$299.13</b>	<b>\$304.97</b>
<b>Preferential Use Rate and Revenues</b>										
Total Gate/Holdroom Requirement			\$4,721	\$13,436	\$29,043	\$36,389	\$47,055	\$51,924	\$54,451	\$55,567
Net Gate/Loading Bridge Requirement			\$4,721	\$13,436	\$29,043	\$36,389	\$47,055	\$51,924	\$54,451	\$55,567
Preferential Leased Holdroom Space (in thousands square feet)			31	45	53	68	86	93	93	93
<b>Preferential Holdroom Rate (per square foot)</b>			<b>\$154.37</b>	<b>\$299.18</b>	<b>\$543.96</b>	<b>\$537.07</b>	<b>\$544.56</b>	<b>\$560.93</b>	<b>\$588.23</b>	<b>\$600.28</b>

NOTES:

1/ Includes Holdroom Equipment and Loading Bridges

2/ Air carrier plus commuter arrivals reflected between 2018 and 2022 are a portion of air carrier plus commuter arrivals projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-14: New Terminal B Apron Fee Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Terminal Apron Requirement</b>										
O&M Expenses			\$201	\$886	\$1,114	\$1,362	\$2,355	\$2,502	\$2,545	\$2,602
Debt Service			2,480	6,598	8,355	9,567	11,093	11,848	12,415	12,601
Debt Service Coverage (25%)			620	1,649	2,089	2,392	2,773	2,962	3,104	3,150
Amortization			0	0	0	0	5,117	7,264	7,264	7,264
Base Rent			1,665	5,047	6,321	8,502	11,129	12,029	12,270	12,515
O&M Reserve Account Deposit							16	16	39	17
Directly Allocable Equipment and Other Costs			\$4,966	\$14,180	\$17,879	\$21,822	\$32,483	\$36,621	\$37,636	\$38,149
LESS: Remain Overnight Parking Fees			382	1,157	1,453	1,961	2,575	2,785	2,841	2,898
<b>NET APRON REQUIREMENT</b>			<b>\$4,584</b>	<b>\$13,024</b>	<b>\$16,426</b>	<b>\$19,861</b>	<b>\$29,907</b>	<b>\$33,836</b>	<b>\$34,795</b>	<b>\$35,251</b>
<b>Common Use Charges and Revenues</b>										
Net Apron Requirement			\$4,584	\$13,024	\$16,426	\$19,861	\$29,907	\$33,836	\$34,795	\$35,251
Divided by: Number of Air Carrier and Commuter Arrivals <sup>1/</sup> (thousands)			25	75	89	115	146	182	182	182
<b>Common Use Apron Charge (per arrival)</b>			<b>\$183.42</b>	<b>\$173.27</b>	<b>\$184.61</b>	<b>\$172.86</b>	<b>\$205.37</b>	<b>\$186.23</b>	<b>\$191.15</b>	<b>\$193.47</b>
<b>Preferential Use Rate and Revenues</b>										
Net Apron Requirement			\$4,584	\$13,024	\$16,426	\$19,861	\$29,907	\$33,836	\$34,795	\$35,251
Net Preferential Apron Requirement			\$4,584	\$13,024	\$16,426	\$19,861	\$29,907	\$33,836	\$34,795	\$35,251
Preferential Leased Gates			6	18	21	27	34	35	35	35
<b>Cost per Preferential Leased Gate (thousands)</b>			<b>\$764</b>	<b>\$724</b>	<b>\$782</b>	<b>\$736</b>	<b>\$880</b>	<b>\$967</b>	<b>\$994</b>	<b>\$1,007</b>

NOTE:

1/ Air carrier plus commuter arrivals reflected between 2018 and 2022 are a portion of air carrier plus commuter arrivals projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-15: New Terminal B Fueling System Requirement**

(Dollars in Thousands for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Fueling System Requirement</b>										
O&M Expenses			\$0	\$0	\$2	\$5	\$6	\$95	\$97	\$85
Debt Service			0	0	0	0	406	1,219	1,219	1,219
Debt Service Coverage (0%)			0	0	0	0	0	0	0	0
Amortization			0	0	0	0	0	0	0	0
O&M Reserve Account Deposit							0	1	1	1
<b>Total Fueling System Requirement</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2</b>	<b>\$5</b>	<b>\$412</b>	<b>\$1,314</b>	<b>\$1,317</b>	<b>\$1,305</b>

NOTE:

1/ The timing of the Port Authority completing the remainder of the fueling system project is not yet known and therefore fueling system revenue is not projected or included in projected airline revenue.

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.



**Table A-16: Direct Airline Charges**

(Dollars in Thousands for Fiscal Years Ending December 31)

	2016	2017	2018	2019	PROJECTED					
					2020	2021	2022	2023	2024	2025
<b>Direct Airline Charges</b>										
Fueling System Charges					2	5	412	1,314	1,317	1,305
Clubroom Rent			\$2,212	\$4,978	\$7,204	\$9,568	\$14,392	\$15,842	\$16,607	\$16,978
Tenant Finish & Equipment Charges			0	0	0	0	5,051	5,661	5,661	5,661
<b>Total Direct Airline Charges</b>	\$0	\$0	\$2,212	\$4,978	\$7,207	\$9,573	\$19,855	\$22,817	\$23,584	\$23,943

SOURCE: Societe Generale; WJ Advisors LLC, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-17: New Terminal B Airline Revenue Summary and Airline Cost Per Enplanement Calculation**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>New Terminal B Airline Revenues</b>										
Airline Operations Space Rent			\$3,434	\$10,998	\$19,192	\$26,411	\$36,061	\$39,250	\$41,144	\$42,063
Ticket Counter Rentals			46	88	10,245	11,879	13,702	14,152	14,784	15,155
Outbound Baggage System Fees			0	0	28,524	32,757	35,901	36,981	38,786	41,077
Baggage Claim Fees			0	0	22,384	25,841	27,943	28,737	30,218	31,812
Gate/Holdroom and Loading Bridge Fees			4,721	13,436	29,043	36,389	47,055	51,924	54,451	55,567
Terminal Apron Fees			4,584	13,024	16,426	19,861	29,907	33,836	34,795	35,251
Remain Overnight (RON) Parking Fees			382	1,157	1,453	1,961	2,575	2,785	2,841	2,898
Bag Service Office Rent			0	0	1,501	1,690	1,861	1,918	2,011	2,056
Airline Office Space Rent			0	0	2,884	3,246	3,576	3,686	3,864	3,950
Total New Terminal B Airline Revenues <sup>1/</sup>			\$13,166	\$38,702	\$131,653	\$160,034	\$198,583	\$213,268	\$222,894	\$229,828
Divided by: Enplaned Passengers <sup>2/</sup> (thousands)			1,262	3,798	4,515	5,859	7,467	8,226	8,308	8,382
<b>Average Airline Cost Per Enplanement</b>			<b>\$10.44</b>	<b>\$10.19</b>	<b>\$29.16</b>	<b>\$27.31</b>	<b>\$26.59</b>	<b>\$25.93</b>	<b>\$26.83</b>	<b>\$27.42</b>

NOTE:

1/ Does not include direct airline charges.

2/ Originating passengers reflected between 2018 and 2022 are a portion of the originating passengers projected for New Terminal B carriers, assumed to be equal to the share of New Terminal B gates coming online each year.

SOURCE: Societe Generale; WJ Advisors LLC; Ricondo & Associates; Pragma Consulting, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

**Table A-18: Cash Flow**

(Dollars in Thousands for Fiscal Years Ending December 31)

	2016 <sup>1/</sup>	2017	2018	2019	PROJECTED					
					2020	2021	2022	2023	2024	2025
<b>Project Revenues</b>										
Existing Terminal B Airline Revenues	\$28,733	\$49,932	\$45,109	\$35,579	\$14,267	\$6,000	\$495	\$0	\$0	\$0
New Terminal B Airline Revenues	0	0	13,166	38,702	131,653	160,034	198,583	213,268	222,894	229,828
Direct Airline Charges - New Terminal B	0	0	2,212	4,978	7,207	9,573	19,855	22,817	23,584	23,943
Non-Airline Revenues - Existing Terminal B	8,226	15,637	15,307	14,842	5,810	3,371	0	0	0	0
Non-Airline Revenues - New Terminal B	0	0	1,476	3,371	25,145	33,714	38,905	42,262	43,601	44,942
Interest Earnings from Substantial Completion	0	0	0	0	(0)	(0)	630	1,749	1,970	2,139
<b>Total Project Revenues</b>	<b>\$36,959</b>	<b>\$65,569</b>	<b>\$77,270</b>	<b>\$97,472</b>	<b>\$184,081</b>	<b>\$212,692</b>	<b>\$258,467</b>	<b>\$280,096</b>	<b>\$292,049</b>	<b>\$300,852</b>
Less:										
O&M Expenses - Existing Terminal B	\$32,436	\$36,083	\$43,179	\$34,297	\$20,879	\$11,417	\$477	\$0	\$0	\$0
O&M Expenses - New Terminal B	128	326	6,545	15,023	49,962	63,142	77,770	80,608	82,374	85,604
O&M Reserve Account	0	0	0	0	0	0	518	515	1,267	564
Major Maintenance and Renewal Account	0	0	0	0	0	0	406	1,698	2,013	4,345
Base Rent	8,750	15,000	15,000	15,000	15,300	15,606	15,918	16,236	16,561	16,892
1st additional rent	0	0	0	0	0	0	500	500	500	500
Total Senior Lien Bond Debt Service	0	0	7,473	23,120	83,613	101,141	117,303	124,728	131,956	134,328
<b>Total Expenditures</b>	<b>\$41,315</b>	<b>\$51,409</b>	<b>\$72,197</b>	<b>\$87,439</b>	<b>\$169,755</b>	<b>\$191,306</b>	<b>\$212,892</b>	<b>\$224,286</b>	<b>\$234,671</b>	<b>\$242,234</b>
Working capital	(\$10,682)	(\$250)	(\$3,671)	(\$1,793)	(\$18,537)	(\$541)	(\$8,640)	(\$2,985)	(\$1,869)	(\$1,575)
Movement in reserve accounts during construction	15,117	(4,604)	5,750	(1,204)	17,304	1,939	(0)	0	0	0
<b>Net Remaining Revenue</b>	<b>\$79</b>	<b>\$9,306</b>	<b>\$7,152</b>	<b>\$7,036</b>	<b>\$13,093</b>	<b>\$22,785</b>	<b>\$36,936</b>	<b>\$52,825</b>	<b>\$55,509</b>	<b>\$57,043</b>
<b>Coverage Calculation</b>										
Total Revenue	\$36,959	\$65,569	\$77,270	\$97,472	\$184,081	\$212,692	\$258,467	\$280,096	\$292,049	\$300,852
Total Expenditure (excl Debt Service)	41,315	51,409	64,724	64,320	86,142	90,165	95,589	99,558	102,715	107,906
Working capital	(10,682)	(250)	(3,671)	(1,793)	(18,537)	(541)	(8,640)	(2,985)	(1,869)	(1,575)
Movement in reserve accounts during construction	15,117	(4,604)	5,750	(1,204)	17,304	1,939	(0)	0	0	0
<b>Net Revenue</b>	<b>\$79</b>	<b>\$9,306</b>	<b>\$14,625</b>	<b>\$30,155</b>	<b>\$96,706</b>	<b>\$123,925</b>	<b>\$154,239</b>	<b>\$177,553</b>	<b>\$187,465</b>	<b>\$191,371</b>
Total Senior Lien Bond Debt Service								\$124,728	\$131,956	\$134,328
<b>Senior Lien Debt Service Coverage (1.25x)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1.42</b>	<b>1.42</b>	<b>1.42</b>

NOTE:

1/ Reflects partial year data beginning from the assumed financial close (June 2016).

SOURCE: Societe Generale; WJ Advisors LLC; Ricondo & Associates; Pragma Consulting, April 2016.

PREPARED BY: Ricondo & Associates, Inc., April 2016.

[B1-163]

**Table A-19: Long Term Projections for New Terminal B**

(Dollars in Thousands for Fiscal Years Ending December 31)

	2030	2040	2050
<b>Project Revenues</b>			
Airline Revenues (including Other Airline Charges)	295,466	375,290	421,274
Concession Revenues	45,531	61,198	79,833
Other Revenues	6,619	8,996	11,825
Interest Earnings from Substantial Completion	3,704	5,705	5,527
Total Project Revenues	\$351,320	\$451,189	\$518,459
Less:			
O&M Expenses	97,351	121,962	149,667
O&M Reserve Account	661	803	0
Major Maintenance and Renewal Account	14,157	31,346	0
Base Rent	18,651	22,735	25,404
1st additional rent	500	500	500
Total Senior Lien Bond Debt Service	153,602	192,279	239,306
Total Expenditures	\$284,922	\$369,625	\$414,878
Working capital	(\$1,745)	(\$1,998)	\$1,908
Available O&M Reserve			43,756
Net Remaining Revenue	\$64,652	\$79,566	\$149,245
<b>Coverage Calculation</b>			
Total Revenue	\$351,320	\$451,189	\$518,459
Total Expenditure (excl Debt Service)	131,320	177,346	175,571
Working capital	(1,745)	(1,998)	1,908
Available O&M Reserve			43,756
Net Revenue	\$218,254	\$271,844	\$388,551
Total Senior Lien Bond Debt Service	\$153,602	\$192,279	\$239,306
<b>Senior Lien Debt Service Coverage (1.25x)</b>	<b>1.42</b>	<b>1.41</b>	<b>1.62</b>
NOTE:			
1/ Reflects partial year data beginning from the assumed financial close (June 2016).			
SOURCE: Societe Generale; WJ Advisors LLC; Ricondo & Associates; Pragma Consulting, April 2016.			
PREPARED BY: Ricondo & Associates, Inc., April 2016.			

**Table A-20: Sensitivity Summary**

(Dollars in Thousands, except where noted below, for Fiscal Years Ending December 31)

	PROJECTED									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Enplanements (Existing and New Terminal B) (thousands)</b>										
Baseline Activity Forecast	4,476	7,331	7,421	7,447	7,525	7,610	7,698	8,226	8,308	8,382
Sensitivity - 10% Activity Reduction	4,028	6,598	6,679	6,702	6,773	6,849	6,928	7,404	7,477	7,544
IMPACT	(448)	(733)	(742)	(745)	(753)	(761)	(770)	(823)	(831)	(838)
<b>Concessions and Other Nonairline Revenue (Existing and New Terminal B)</b>										
Baseline Concessions and Other Nonairline Revenue	\$8,226	\$15,637	\$16,783	\$18,213	\$30,955	\$37,085	\$38,905	\$42,262	\$43,601	\$44,942
Sensitivity - 10% Activity Reduction	\$7,468	\$14,230	\$15,276	\$16,584	\$28,097	\$33,639	\$35,278	\$38,304	\$39,514	\$40,726
IMPACT	(\$758)	(\$1,407)	(\$1,507)	(\$1,629)	(\$2,857)	(\$3,446)	(\$3,626)	(\$3,957)	(\$4,087)	(\$4,216)
<b>Cost per Enplanement (New Terminal B)</b>										
Baseline CPE			\$10.44	\$10.19	\$29.16	\$27.31	\$26.59	\$25.93	\$26.83	\$27.42
Sensitivity - 10% Activity Reduction			\$11.60	\$11.32	\$32.40	\$30.35	\$29.55	\$28.81	\$29.81	\$30.47
IMPACT			\$1.16	\$1.13	\$3.24	\$3.03	\$2.95	\$2.88	\$2.98	\$3.05
<b>Debt Service Coverage</b>										
Baseline Debt Service Coverage			N/A	N/A	N/A	N/A	N/A	1.42	1.42	1.42
Sensitivity - 10% Activity Reduction			N/A	N/A	N/A	N/A	N/A	1.39	1.39	1.39
IMPACT								(0.03)	(0.03)	(0.03)

SOURCE: Societe Generale; Ricondo & Associates; Pragma Consulting, April 2016.  
PREPARED BY: Ricondo & Associates, Inc. April 2016

THIS PAGE INTENTIONALLY LEFT BLANK

**Appendix B-2**

**REPORT OF THE AIRPORT LENDERS' TECHNICAL ADVISOR**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**





**LENDERS TECHNICAL ADVISORY SERVICES**

# *LaGuardia Airport CTB Redevelopment Project*

REPORT NUMBER 2.18

MAY 17, 2016

**PREPARED FOR:**

*LaGuardia Gateway Partners*

17470 Pacesetter Way, Scottsdale, AZ 85255  
T 480 568 0650

**BTY.COM**

*People to count on.  
Knowledge to build with.*

# CONTENTS

---

1.0	INTRODUCTION	1
2.0	EXECUTIVE SUMMARY	8
3.0	THE CONSORTIUM	24
4.0	COMMERCIAL COMMENTARY - PROJECT AGREEMENT	36
5.0	COMMERCIAL COMMENTARY - ANCILLARY DOCUMENTS	65
6.0	REGULATORY APPROVALS	94
7.0	SITE CONDITIONS	97
8.0	SPECIALIST CONSULTANT REPORTS	105
9.0	DESIGN REVIEW	108
10.0	SCHEDULE & CONSTRUCTION METHODOLOGY REVIEW	133
11.0	PROJECT COST REVIEW	146
12.0	FACILITIES MANAGEMENT REVIEW	155
13.0	LIFE CYCLE REVIEW	166
14.0	PAYMENT MECHANISM	178
15.0	EQUATOR PRINCIPLES	189

## Appendices

Appendix A	Construction Phasing
Appendix B	Contractor Replacement Scenarios
Appendix C	LGP Initial Organization Structure

## GLOSSARY OF TERMS

AC	Alternative Concept
ACM	Asbestos containing materials
AFP	Alternative Financing and Procurement
ATM	Air traffic movement
AULA	Airline Lease and Use Agreement
BTY	BTY Group
CAMP	Capital Asset Management Plan
CDM	Collaborative Dialog Meetings
CFADS	Cash flow available for debt service
CHRP	Central Heating and Refrigeration Plant
CPE	Cost per enplaned passenger
CRWD	Consolidated receiving and warehouse distribution facility
DBC	Design-Build Contract
DBJV	Design-Build Joint Venture
DBO	Date of Beneficial Occupancy
DJV	Design Joint Venture
EDR	Environmental Data Resources
EES	East End Substation
FCI	Facility condition index
FIDS	Flight Information Display System
FTEs	Full Time Equivalents
GCP	Grand Central Parkway
GFA	Gross floor area
HASP	Health and Safety Plan
HMA	Hot Mixed Asphalt
HOK	HOK Architects
IFC	International Finance Corporation
LCA	Life Cycle Cost Analysis
LGP	LaGuardia Gateway Partners LLC
LNTP	Limited Notice to Proceed
LTA	Lenders' Technical Advisor
Manager	Vantage Airport Group (New York) Management Ltd.
MSA	Management Services Agreement
NEPA	National Environmental Policy Act
NTP	Notice to Proceed
NYCDEP	New York City Department of Environmental Protection
NYCDOT	New York City Department of Transportation
NYCDPR	New York City Department of Parks and Recreation
NYCT	New York City Transit
NYS Taxation & Finance	New York State Tax
NYSDAM	New York State Department of Agriculture and Markets
NYSDOT	New York State Department of Transportation
O&M	Operation and Maintenance
OCCM	Office of Construction Mitigation and Coordination
OIG	Office of the Inspector General

P3	Public-Private Partnership
PACM	Presumed asbestos containing materials
PANYNJ	Port Authority of New York and New Jersey
PCC	Portland Cement Concrete
PNTP	Preliminary Notice to Proceed
Port Authority	Port Authority of New York and New Jersey
RFP	Request for Proposals
Ricondo	Ricondo & Associates, Inc.
RPW	Requirements and Provisions for Work
Skanska Building	Skanska USA Building Inc
Skanska Civil	Skanska USA Civil Northeast Inc
SJTA	South Jersey Transportation Authority
SPDES	State Pollutant Discharge Elimination System
SSCP	Security Screening Check-In Points
SWPPP	Stormwater Pollution Prevention Plan
TAA	Tenant Alteration Applications
TSA	Transportation Security Administration
UST	Underground storage tank
Vantage	Vantage Airport Group Ltd.
Vantage Member	Vantage Airport Group (New York) Ltd.
Walsh	Walsh Construction Company II, LLC
WSP/PB	WSP/Parsons Brinckerhoff

## 1.0 INTRODUCTION

### 1.1 *Instructions Received*

- 1.1.1 This report has been prepared by BTY Group acting as Lender's Technical Advisor (the "LTA") at the request of LaGuardia Gateway Partners LLC ("LGP" or the "Sponsor" or the "Lessee") who will act as the Project Sponsor. LGP is comprised of Vantage Airport Group (New York) Ltd. ("Vantage Member"), and special purpose subsidiaries established by each of Skanska Infrastructure Development Inc. ("Skanska ID"), and Meridiam Infrastructure North America Fund II ("Meridiam"). Skanska USA Building Inc., Skanska USA Civil Northeast and Walsh Construction Company II, LLC comprise the Design-Build Joint Venture (the "DBJV").
- 1.1.2 The Lessee has been formed as a special purpose company for the sole purpose of designing, building, financing, operating and maintaining the LaGuardia Airport New Central Terminal Building ("CTB") Redevelopment Project (the "Project") for the Port Authority of New York and New Jersey (the "Port Authority").
- 1.1.3 The DBJV will be responsible for the design, construction and commissioning of the Project.
- 1.1.4 The Lessee will enter into a Management Services Agreement ("MSA") with Vantage Airport Group (New York) Management Ltd. ("Manager") under which the Manager will serve as the Lessee's Terminal Operator and provide certain management and support services with respect to the Operations and Maintenance Work under the Lease, including by supplying key staff positions and access to best practices from its affiliated network of airport facilities.
- 1.1.5 Port Authority of New York and New Jersey ("PANYNJ") operates various airport facilities in the New York area including John F. Kennedy International and Newark International. LaGuardia airport is under a long term lease from the City of New York to the PANYNJ whose expiry matches that of the proposed Project Lease to the successful bidder.
- 1.1.6 BTY Group has been requested by the Sponsor to prepare this report regarding the Project for the reliance of the Lenders. Proceeds of the Bonds will be loaned by the Issuer to the Lessee pursuant to one or more loan agreements (the "Loan Agreement") for purposes of financing a portion of the cost of the Project. The term "Lenders" as used herein includes, (i) Citigroup Global Markets Inc. and Wells Fargo Bank, N.A. as underwriters (the "Underwriters") of bonds (the "Bonds") to be issued by New York Transportation Development Corporation (the "Issuer"), pursuant to an Indenture of Trust (the "Trust Indenture") between the Issuer and the Bank of New York Mellon, as trustee (the "Trustee"), (ii) Assured Guaranty Municipal Corp. and (iii) the purchasers of the Bonds.
- 1.1.7 The airlines will pay the Lessee for use of space and gates in the existing Terminal B and in elements of the new Terminal B once completed. Other revenues (that is non-aeronautical revenues) to the Lessee will be derived from retail space leased in the existing and new terminal buildings. The existing Terminal B, opened in 1964, has a significant amount of retail space located outside the secure area where passengers do not tend to dwell. The configuration

## 1.0 INTRODUCTION

of the new Terminal B will remedy this shortcoming and incorporate current best practices in airport retailing.

- 1.1.8 This report is intended to provide a review of the fundamental technical features and inherent risks of the Project and provide an overview of the plans and risk mitigants of the Sponsor's proposed solution.

### 1.2 *Reliance Upon the Report*

- 1.2.1 This report has been prepared in accordance with the scope of BTY Group's engagement with the Sponsor and is subject to the terms of that appointment. This report is for the sole and confidential use and reliance of the Sponsor, the Lenders and the Ratings Agencies. BTY Group, its directors, staff or agents do not make any representation or warranty as to the factual accuracy of the information provided to us on behalf of the Sponsor, its sub-contractors or agents, or the Port Authority, upon which this report is based.
- 1.2.2 This report shall not be reproduced or distributed to any party other than the recipients outlined above, without the express permission of BTY Group.
- 1.2.3 Any advice, opinions, or recommendations within this document should be read and relied upon only in the context of this report as a whole. The contents of this report do not provide legal, insurance or tax advice or opinion.
- 1.2.4 BTY Group authorizes the inclusion of this report in a Preliminary Official Statement and Final Official Statement prepared and used in connection with the offering and sale of those Bonds to be publicly offered, and in private placement documents prepared in connection with the private placement of those Bonds to be privately placed.

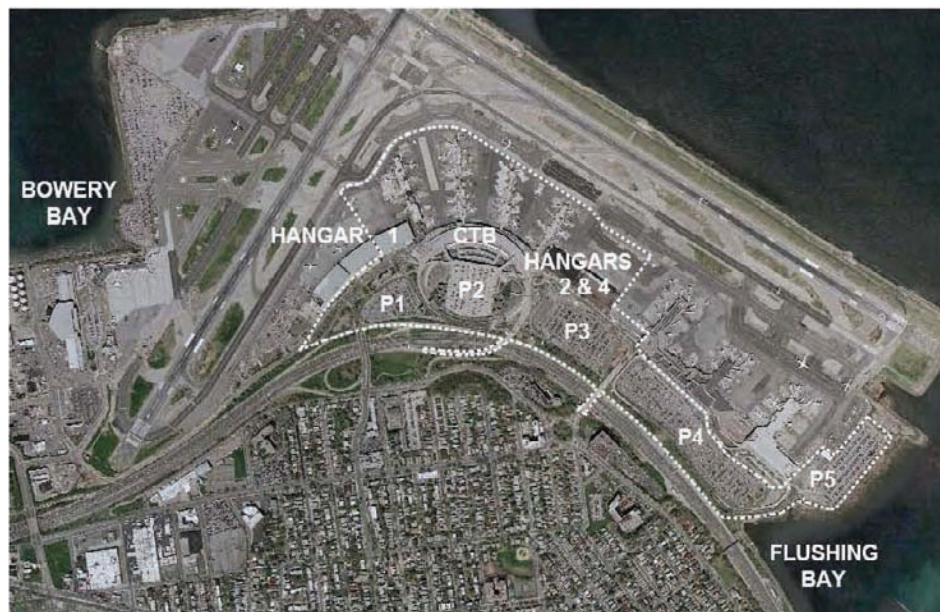
### 1.3 *Background to the Project*

- 1.3.1 The Port Authority provides transportation, terminal and other facilities of commerce within the Port District and is broken down into five lines of business:
- Aviation;
  - PATH (rail);
  - Port Commerce;
  - Tunnels-Bridges-Terminals; and
  - The World Trade Centre.
- 1.3.2 Within the Aviation Department, the Port Authority is responsible for five airports in the Greater New York and New Jersey area, including LaGuardia Airport, John F. Kennedy International Airport, Newark Liberty Airport, Stewart International Airport and Teterboro Airport. The Port Authority also has an agreement with the South Jersey Transportation Authority (SJTA) to perform certain general management services and functions for Atlantic City International Airport, located in Egg Harbor Township, NJ.

## 1.0 INTRODUCTION

- 1.3.3 The LGA site encompasses 680 acres in the Borough of Queens. The airport is primarily a domestic airport with two main runways, each 7,000 feet long by 150 feet wide.
- 1.3.4 The Premises is leased to the Port Authority pursuant to the Amended and Restated Lease of Municipal Air Terminals, dated November 2004, between the City of New York, a municipal corporation of the State of New York (the “City”) and the Port Authority (the “Basic Lease”). The Basic Lease leases LGA to the Port Authority through December 2050.
- 1.3.5 LGA operates under severe spatial and scheduling constraints and has out grown its ability to service air traffic demand. Modern airline fleets are larger and deliver passenger loads that exceed the design parameters of the existing terminal. In addition, the existing Terminal B does not meet the Transportation Security Administration (“TSA”) standards by providing the required floor space to accommodate security personnel, screening processes and equipment at passenger check-points and baggage areas. To meet these growing demands, the Port Authority wishes to redevelop Terminal B and enter into a long term operating lease with a private entity.
- 1.3.6 The Project area is approximately 140 acres in total. The actual leased area will change from time to time during the course of the Lease as various stages of construction are completed and if the Central Hall is released from the leased property as will be permitted under the lease.
- 1.3.7 The redevelopment will include Terminal B (airside and landside) as well as the footprints and aprons of Hangars 1, 2 and 4, Parking Lots 1-4, and the Central Hall.
- 1.3.8 Figure 1.1 below denotes the orientation of the Site (P1 – P5 represent parking areas):

Figure 1.1: Site Context





## 1.0 INTRODUCTION

1.3.9 The Port Authority's objectives for the New Terminal B include:

- a balanced terminal, airside and landside capacity to meet demand with optimal levels of service;
- an enduring design that is innovative and efficient; easily adaptable to changing needs and standards, and incorporates sustainable strategies with respect to energy efficiency and water conservation;
- enhanced operational efficiency for terminal, airside and roads;
- improved terminal amenities;
- fair and reasonable costs to airline tenants; and
- a common use platform, meeting the operational requirements of the airlines and other stakeholders.

### 1.4 *Project Description*

1.4.1 The overall mandate of the Lessee is to construct the Project and maintain and operate Terminal B (existing and new) for the entire Project Term.

1.4.2 The Design and Construction scope is comprised of the following main elements:

- Structural Demolition: Abatement, deconstruction and removal of the existing Terminal B, Hangar 1, the existing P2 Garage, departures level roadway bridge structures and the decommissioned Central Electrical Substation;
- Terminal B Replacement: construction of a Headhouse and two satellite concourses that will have 35 gates total, and associated aircraft apron and frontage roads;
- Terminal B Apron Modification: construction of 35 new aircraft apron gates, supported by a taxi lane system with multiple startup positions and overnight parking accommodations for aircraft;
- Central Hall Construction: construction of a central arrivals/departure portal to be located adjacent to the New Terminal B Facilities;
- Frontage Roads: construction of a multilevel bridge for departures and arrivals traffic, adjacent to the New Terminal B, with a high occupancy vehicle lane at grade roadway below;
- Utilities within the Project Site: Telecommunications, Water, Natural Gas, Sewer, Storm and Electric service connections to the New Terminal B;
- Central Heating and Refrigeration Plant ("CHRP"): construction of a 2 story plus a mezzanine structure that will accommodate chillers, hot water generators and other equipment to replace and upgrade the current plant;
- Hydrant Fueling: installation of underground fueling infrastructure within the New Terminal B ramp area to support the implementation of a future hydrant fueling system; and
- The Design and Construction of the New Improvements, which consist of airfield modifications, the fit-out of Building 30, the West Garage, the Roadway Network and the Utilities Replacement.

1.4.3 For clarity, the Supporting Projects will be performed by the Port Authority. The Supporting Projects include, but are not limited to, the design and construction of



## 1.0 INTRODUCTION

the East End Substation (“EES”) serving the new Terminal B and East End Terminals and the design and construction of the electrical communication Utility trunk lines. We note that adequate relief to the Lessee exists should there be any delays to the Supporting Projects.

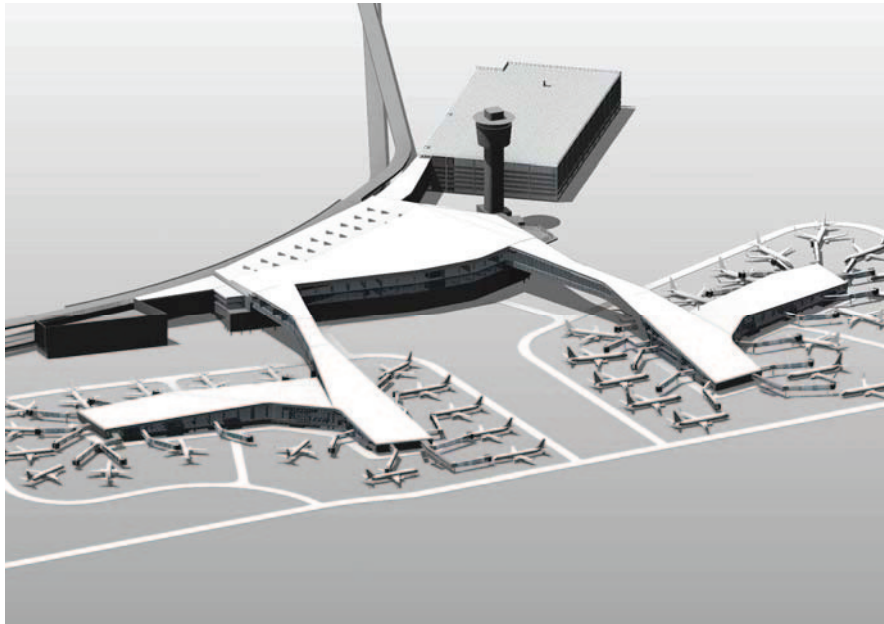
1.4.4 The Port Authority has defined the following as key programmatic requirements:

- 214 equivalent check-in positions (counters and kiosks);
- checked bag handling system with a centralized in-line baggage screening facility to current TSA specifications;
- 1,620 linear feet of baggage claim device presentation frontage;
- two passenger Security Screening Check-in Points (“SSCP”) with a total of 22 lanes, consistent with TSA specifications;
- concessions, airline lounges and passenger amenities;
- operation and support services; and
- airside holdrooms, secure circulation and bridge gates to serve aircraft stands.

1.4.5 In addition, the New Terminal B is required to achieve at minimum a LEED Silver certification from the USGBC. LEED Gold certification should be targeted by the Lessee.

1.4.6 Figure 1.2 below provides a rendering of the design proposed by Lessee:

Figure 1.2: Project Rendering



1.4.7 Immediately following Lease Commencement, the Lessee will take over maintenance and operations of the existing Terminal B. The Lessee will continue to be responsible for maintenance and operations of the Project during and after completion of construction until the end of the Term with the following exceptions:

## 1.0 INTRODUCTION

- The Port Authority may elect to partially terminate the Lease with respect to the Central Hall following which the Lessee will not have any obligation for the operation and maintenance of the Central Hall (we note that the inclusion of partial termination is not indicative of a material risk, but rather is meant to allow a level of flexibility in the Lease and allow for other arrangements to be made for the Central Hall, should more attractive commercial opportunities present themselves); and
- The Lessee will have no responsibility for the operation and maintenance of the New Improvements.

### 1.5 *Procurement History and Scope Changes*

- 1.5.1 A Request for Proposal (“RFP”) was issued to four prequalified bidding consortia by the Port Authority of New York and New Jersey (“PANYNJ”) for the Project. On May 28, 2015 LGP was selected as the Preferred Proposer in response to that RFP and is currently engaging in contractual agreements with, among others, PANYNJ, the DBJV and Vantage as well as the Finance Parties (as defined in the Finance Documents) (the “Lenders”).
- 1.5.2 On July 15, 2015 the Preliminary Notice to Proceed Agreement (“PNTP”) was executed between LGP and the Port Authority. The PNTP was subsequently amended by Amendment No. 1, dated as of October 21, 2015, with respect to the PNTP Work. The execution of the PNTP, as amended, allowed LGP to proceed with certain design and construction activities to maintain the project schedule. The PNTP was subsequently amended by Amendment No.2, dated as of April 12, 2016 with respect to the PNTP extension and other Design and Construction work.
- 1.5.3 The project scope and design has evolved since LGP was named Preferred Proposer, primarily in response to changes to the LaGuardia Master Plan, LGP modifications to the Terminal and airline requests. The Port Authority has issued 2 Interim Updates, and LGP has responded with 2 Interim Pricing Updates.
- 1.5.4 Interim Update 2A was issued on July 16, 2015, and included the following:
- Pricing Adjustment: Inflation to account for the 1-year delay of procurement
  - Storm water trunk line: The Port Authority requested a change to the alignment of a storm water line. This required some resequencing, road modifications and other changes, but resulted in a net zero cost impact due to the reduced schedule complexity.
  - Dual Taxilane: As a result of post-bid optimization, a dual taxilane was incorporated into the bid to generate operational efficiencies.
- 1.5.5 The Second Interim Update 2B was issued December 10, 2015, and included the following:
- AirTrain Link: Whereas the Right of Way was included in the original design, the update specifies the number of stops, stations, how it is tied

## 1.0 INTRODUCTION

in, etc. We highlight that construction of a AirTrain link does not form part of LGP's scope, rather LGP proposed solution must accommodate the aforementioned. LGP will not bear the risk of any changes to such design criteria following execution of the Lease Agreement.

- Design Uniformity: The Governor's advisory team has requested a common aesthetic theme for all future developments of the airport, and the update includes such standards and guidelines.
- Central Hall: Representing the majority of the cost in the 2B update, the Central Hall involves construction of a central hall to act as a central arrivals/departures portal for LGA Airport as a whole, from which passengers will proceed to the new Terminal B. The Central Hall is to not preclude a future AirTrain link.
- Central Heating and Refrigeration Plant: The addition of the Central Hall required reconfiguration of the initially proposed CHRP design, reducing the structure's height and elongating it. The cooling towers that were on top of the CHRP were relocated to a cooling tower farm which will support both the new Terminal B and the Central Hall.
- Hotel / Conference Space: Although a future development, it will be closely tied in with the Central Hall and CHRP, not to preclude accommodations in their design.

1.5.6 The impact of these updates are discussed throughout this report.

### 1.6 Definitions

1.6.1 In this report, capitalized terms have the same meaning as ascribed to them in the RFP, Lease, and the Design-Build Contract, as determined by the context of the section being read.

### 1.7 Further Information

1.7.1 All queries concerning the contents of this report should be addressed to:-

#### Gord Smith

BTY Group  
2288 Manitoba Street  
Vancouver, BC V5Y 4B5  
Tel: (604) 734-3126  
Email: [gordsmith@bty.com](mailto:gordsmith@bty.com)

#### Ryan Brady

BTY Group  
17470 Pacesetter Way, Suite 116  
Scottsdale, AZ 85255  
Tel: (480) 568-0650  
Email: [ryanbrady@bty.com](mailto:ryanbrady@bty.com)

#### Jack McInerney

BTY Group  
2288 Manitoba Street  
Vancouver, BC V5Y 4B5  
Tel: (604) 734-3126  
Email: [jackmcinerney@bty.com](mailto:jackmcinerney@bty.com)

## 2.0 EXECUTIVE SUMMARY

### 2.1 Introduction

- 2.1.1 We have completed this review based on an examination of contract documents, design, construction and facilities management information, and meetings with key LGP personnel.
- 2.1.2 The general technical aspects presently known have been assessed against experience of Alternative Financing and Procurement (“AFP”) and Public-Private Partnership (“P3”) projects, as well as generally considered market positions.
- 2.1.3 The term Reference No. refers to the major sub-sections of this report. The description refers to the general headings of the sub-section reviewed, with any significant points thereafter summarized.
- 2.1.4 The status rating for the following table should be interpreted as follows:

Draft or Pre-Bid Report	Final Report	
Project aspect that requires further assessment, information or mitigation prior to the Final Report. A red item indicates points to be considered with substantial Project impact.	Project aspect with a red rating should be considered by the Lender as a significantly higher than expected risk profile that could have significant impact on the Project from a technical perspective.	<b>R</b>
Project aspect that requires further assessment, information or mitigation prior to the Final Report, but is not anticipated having significant Project impact.	Project aspect with an amber rating should be noted by the Lender as a higher than expected risk profile, but should not have significant impact on the Project from a technical perspective.	<b>A</b>
Project aspect that has an acceptable risk profile and therefore acceptable from a technical perspective.	Project aspect with a green rating is considered typical or an acceptable Project risk or suitable full technical mitigation has been received to ensure minimal technical Project effects.	<b>G</b>

2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
3.3	<b>Consortium Sponsors</b>	Each of the equity sponsors and members of the Lessee have substantial experience in air transportation. As a team, they have the appropriate mix of abilities to successfully complete large and complex aviation projects such as Terminal B at LaGuardia Airport.	<b>G</b>
3.4	<b>The DBJV Team</b>	Each of the members of the DBJV are major construction firms in their own right and have extensive experience in large civil projects in NYC and across the US.	<b>G</b>
3.5	<b>Design Team</b>	Both members of the Design Team provide strong expertise and experience in airport and civil design, respectively.	<b>G</b>
4.0	<b>Commercial Commentary – Lease</b>		
4.3	<b>Term</b>	The Term of the Agreement is analogous with the remaining term of the Lease under which the Port Authority is obligated to operate LGA for the City of New York. The Lease will expire the day prior to the expiry of the agreement between the Port Authority and the City of New York.  The Term of the Agreement is an approximate 35 year term from the Lease Commencement Date which is within a normal precedent on US P3 projects.	<b>G</b>
4.4	<b>Utilities, Services to the Lessee</b>	Under the Lease, the Lessee is wholly responsible for all utility connections and relocations on the Premises other than the Retained Water System which remains under ownership of the City under the Base Lease.	<b>G</b>
4.5	<b>Submittals; Open Dialogue and Cooperation; Other Redevelopments</b>	The provisions for Submittals and Port Authority review thereof provide a clear and reasonable review process framework. We consider that the review periods provided are reasonable and in line with US P3 precedent. The Lease also contemplates potential future development of Terminals C and D at LGA Airport. The Port Authority agrees it will in good faith consider impacts to Lessee as a result of such potential Other Redevelopment. We note that a change order will be required should any Other Redevelopment have an impact to the Lessee, affording Lessee opportunity to negotiate appropriate compensation.	<b>G</b>

## 2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
4.6	<b>Design &amp; Construction</b>	The LTA is satisfied that the requirements for achieving the NTP milestones, Substantial Completion, Central Hall Substantial Completion and Final Acceptance are clearly defined and are reasonable. The duties and obligations of LGP with regard to design and construction works will be passed down to the DBJV and are in-line with US P3 precedent.	<b>G</b>
4.7	<b>Operations &amp; Maintenance Work</b>	The LTA believes the O&M Work and Major Maintenance requirements are appropriate and in line with US P3 project precedent. The Major Maintenance Reserve mechanisms are appropriate for this Project. In conjunction with appropriate budgeting and asset management practices the Major Maintenance Reserve Fund funding mechanisms should help ensure timely funding of the reserve ahead of incurring costs associated with Major Maintenance work to meet the Handback Requirements. The processes in place in the years leading up to the Expiry Date provide appropriate inspection, planning and reserving mechanisms to ensure the Handback Requirements are readily achieved. Inspection regimes performed jointly by the Port Authority and the Lessee provide a framework by which the asset will be assessed and required rehabilitation works identified and planned. The inspection regime is also coupled by an independent costing exercise and reserving against the assessed cost to achieve the Handback Requirements. We consider the mechanisms governing Handback to be robust and in line with US P3 precedent.	<b>G</b>
4.8	<b>Port Authority and Lessee Changes; Safety Compliance Orders</b>	The provisions of the Agreement in respect of Changes are in line with US P3 precedent and do not represent an onerous risk to Lenders'.	<b>G</b>

2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
4.9	<b>Compensation Events; Delay Events</b>	The provisions of the Lease in respect of Compensation and Delay Events are in line with US P3 precedent and do not represent an onerous risk to Lenders'. One exception is the requirement for the Lessee to continue to pay rent to the Port Authority under an Event of Force Majeure. However, this is mitigated under Section 24.1(b) whereby the Lessee may terminate the Lease if it is prevented from accessing the site due to an Event of Force Majeure for longer than 90 consecutive days which, as a result, prevents it from performing all or a substantial portion of the D&C Work. Lessee would be entitled to a termination payment as calculated under Section 24.2.	<b>G</b>
4.10	<b>Environment, Health &amp; Safety Requirements</b>	The provisions of the Lease in respect of Environmental, Health & Safety Requirements are appropriate for the nature and specifics of this project.	<b>G</b>
4.11	<b>Lenders' Rights and Remedies: Refinancing</b>	The provisions of the Lease in respect of Lenders' Rights are appropriate for the nature and specifics of this project. Further we are of the opinion that the cure period durations are adequate.	<b>G</b>
4.12	<b>Lessee Events of Default</b>	The provisions of the Agreement in respect of Lessee Event of Default are in line with US P3 precedent and do not represent an onerous risk to Lenders'.	<b>G</b>
4.13	<b>Dispute Resolution Procedures</b>	The provisions of the Agreement in respect of Changes are in line with US P3 precedent and do not represent an onerous risk to Lenders'. We consider the provisions for dispute settlement in the case of Other Redevelopments to be reasonable. We note that a level playing field is ensured as Delta must also agree to submit to similar terms in any written agreement it makes with the Port Authority, lack of which would nullify Other Redevelopments provisions.	<b>G</b>
5.0	<b>Commercial Commentary – Ancillary Documents</b>		

**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
5.1	<b>Design-Build Contract</b>	The draft DBC effectively subcontracts the obligations of the D&C Work to the DBJV. The provisions indicated provide an adequate level of protection to the Sponsors in an Event of Default on the part of the DBJV, with liabilities to the DBJV generally limited to equivalent project relief.	<b>G</b>
5.3	<b>Access to and Use of the Premises</b>	The DBJV's access rights to the Construction Site will be phased, with the DBJV being provided with access to certain portions of the site as required by the Project Baseline Schedule. We consider this appropriate, given the requirement to maintain existing airport operations during construction. The risk of site conditions has been dropped down to the DBJV on a back-to-back basis, which is standard for US P3 projects.	<b>G</b>
5.4	<b>Utilities; Services to the DBJV</b>	The approach to the design, construction and relocation of Utilities is appropriately passed down to the DBJV, and is reflective of projects of a similar nature. The approach to funding and paying for utilities during construction appears to be efficient and appropriate for this project. We note no exceptions.	<b>G</b>
5.5	<b>Submittals; Open Dialogue and Cooperation</b>	The provisions for Submittals and the review process have been dropped down to the DBC from the Lease on a back-to-back basis. Where the DBJV is required to provide a Submittal to the Lessee ahead of the Lessee's submittal to the Port Authority, the DBJV is provided with 80% of the time provided to the Lessee under the Lease or, in any event, five fewer business days than the Lessee is provided under the Lease. This provides the Lessee with time to review the Submittal and submit to the Port Authority. We consider this buffer appropriate and in-line with US P3 market precedent.	<b>G</b>
5.6	<b>Port Authority Funding &amp; Price and Terms of Payment</b>	The DBC is a fixed price contract, paying the DBJV the Contract Price to perform the DB D&C Work. We consider the provisions of Article 9 and Article 9A to be appropriate, with the responsibility to provide documentation and prepare Disbursement Requests appropriately dropped down to the DBJV.	<b>G</b>



**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
5.7	<b>Design and Construction</b>	<p>We consider the provisions of Article 10 to be appropriate, with the DB D&amp;C Work representing a back-to-back drop down of the Lessee's obligations for the D&amp;C Work under the Lease. We have been provided with adequate information regarding the status of drafting Exhibit A, and consider progress to be appropriate given the size, scope and current state of design and procurement. The various sections of Exhibit A contain clear delineations of responsibility between the Lessee and DBJV. The responsibilities retained by the Lessee relate to the operation and maintenance of the Existing Terminal B Facilities, providing the FF&amp;E and tenant fit out of the leased spaces and coordinating phasing movement with the Airlines and existing tenants.</p> <p>The requirements to receive a DB Design Work NTP, Full Construction NTP and Construction Segment NTP and to achieve Partial Substantial Completion, Substantial Completion and Final Acceptance have been appropriately dropped down from the Lessee to the DBJV.</p> <p>The Warranty Period provisions are in-line with US P3 market precedent. We consider the one year Warranty Period to be standard and appropriate for a project of this nature. We also note that Lessee will have further recourse in the event of a defect becoming apparent whereby it may make a contract claim subject to a 6 year statute of limitations from Final Acceptance under New York law.</p>	<b>G</b>
5.9	<b>Port Authority and Developer Changes; Directive Letters; Safety Compliance Orders; DBJV Initiated Enhancements</b>	<p>Article 13 constitutes a pass through of the Change provisions under the Lease with the DBJV's entitlement to additional funds or schedule adjustments limited to the entitlements provided to the Lessee under the Lease.</p>	<b>G</b>
5.10	<b>Compensation Events; Delay Events</b>	<p>The Compensation Events and Delay Events have been effectively dropped down from the Lease to the DBC.</p>	<b>G</b>

**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
5.11	<b>Delay and Compensation for Delay; Liquidated Damages</b>	The inclusion of Delay LDs for delays in achieving New Facilities Construction Milestones will compensate the Lessee for the costs incurred by late completion of the milestones.	<b>G</b>
5.12	<b>DBJV Events of Default</b>	We consider the terms of Article 23 to be appropriate. The Lessee Events of Default under the Lease that relate to the DB D&C Work have been dropped down to the DBJV. Appropriate cure period buffers have been incorporated to ensure that the DBJV is in default under the DBC prior to the Lessee defaulting under the Lease.  The DB Long Stop Deadline imposes a nine-month long stop date on the DBJV, which we consider to be appropriate and in-line with US P3 market precedent.	<b>G</b>
5.13	<b>Developer DB Events of Default; Other Termination</b>	The provisions of Article 24 are appropriate and make the compensation that may be received by the DBJV following a termination of the Lease (and subsequent termination of the DBC) contingent upon the receipt of termination payments by the Lessee from the Port Authority.	<b>G</b>
5.14	<b>Dispute Resolution Procedures; Port Authority Related Proceedings</b>	The terms of Article 33 are appropriate and allow for the Dispute Resolution Procedure outlined in the Lease to be used under the DBC. The DBC makes reference to an expedited Dispute Resolution Procedure, which will be included for disputes related to Partial Completion, Substantial Completion, Final Acceptance, Compensation Events and Delay Events. The provisions for the expedited Dispute Resolution Procedure remain under discussion between the Parties.	<b>G</b>
5.15	<b>Design-Build Credit Enhancement Package</b>	We consider the proposed security package to be within market norms for recently bid projects in the US and provides adequate security for the duration of the Project. In our opinion, the “stepping down” of the Limit of Liability and Letter of Credit following completion of the Headhouse is an appropriate mechanism considering the notable derisking of the project at that milestone and the subsequent revenue generation associated with the operations of the new Headhouse.	<b>G</b>

**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
5.16	<b>Liquidated Damages Calculation</b>	The liquidated damages calculations adequately compensate the Sponsors for all costs incurred by the late completion of the DBJV, including debt service, lost revenue, equity distributions and Port Authority oversight costs	
5.17	<b>Contractor Replacement Scenarios</b>	The scenarios tested represent worst case scenarios in which the DBJV and its parent companies are removed from the project. We consider the available credit enhancement package to be adequate to cover the cost of replacing the DBJV in such a situation. We consider any scenario whereby the DBJV and its parent companies are removed as extremely unlikely. Each of the DBJV members are very capable and experienced contractors with considerable experience in delivering large, complex projects in New York and across the US.	<b>G</b>
5.18	<b>Management Services Agreement</b>	The MSA effectively subcontracts the management of the performance of substantially all of the operations and maintenance work under the Lease to the Manager. The provisions indicated provide an adequate level of protection to the Sponsors in an Event of Default on the part of Manager. The Facilities Management requirements are reasonable and achievable for an experienced airport terminal operator, such as the Manager.  When reviewed in conjunction with the Life Cycle budget, the O&M budget is adequate and reasonable for a Project of this size and complexity, with this combination of services.	<b>G</b>
5.19	<b>Mobilization Agreement</b>	We consider the Mobilization Agreement to be appropriate for the circumstances of this project and will serve to create a smooth transition process for the Manager through the Lease Commencement process.	<b>G</b>
5.20	<b>Service Management Credit Enhancement Package</b>	In our opinion, the security package proposed provides adequate coverage and protects the Sponsors for the performance of the Operations Work.	<b>G</b>

**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
6.1	<b>Regulatory Approvals</b>	<p>The DBJV is fully aware of its responsibility regarding the permit application process, including the permits it is required to obtain and familiarizing itself with the relevant permitting agencies. The timelines for the application and permitting process has been taken into account within the DBJV's schedule.</p> <p>We do not anticipate that the permits to be acquired by the DBJV should cause significant difficulty to the experienced DBJV team members who have experience in delivering significant projects in the NYC area and for the PANYNJ which had similar permitting requirements.</p> <p>We take further comfort in the fact that the successful delivery of the project is mutually beneficial to both LGP, the City, the State, and the residents and visitors of New York. This, coupled with the fact that the LaGuardia Redevelopment is a high-profile undertaking included in the Governor's Master Plan, indicates the strong political and popular will to make the project a success. We believe that significant motivation is in place for LGP to procure, and the approving agencies to approve, all required approvals in a timely manner.</p>	<b>G</b>
6.2	<b>Regulatory Approvals Approach</b>	<p>The DBJV have prepared an appropriate and detailed matrix for managing the permitting and approvals process. The timelines for the application and permitting processes have been taken into account within the DBJV's schedule.</p>	<b>G</b>
7.2	<b>Background Reports</b>	<p>The survey and final report completed by the PANYNJ Engineering/Architecture Design Division Environmental Engineering Unit appears to be thorough, detailed and comprehensive enough to provide the Contractor with sufficient information to prepare an appropriate construction strategy and in which to allocate adequate time and money into their bid to complete any remediation work.</p>	<b>G</b>

## 2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
7.3	<b>Geotechnical Study</b>	The ground conditions at the site represent a recognized technical challenge on the Project. The DBJV and its geotechnical design team have performed analysis of the existing conditions and potential foundation solutions. The proposed foundation solutions are a proven technology on this site and nearby sites with similar underlying soil strata. In our opinion, the DBJV have mitigated the risk appropriately however some inherent risk remains.	A
8.1	<b>Traffic Study</b>	The forecasting and report prepared by Oliver Wyman appears very comprehensive in its approach. Based on the information provided to us, we do not see any inherent risk in the methodology undertaken or results provided in this report.	G
9.3	<b>Proposed Scope</b>	LGP's proposed terminal layout results in significant construction phasing and operational efficiencies when compared with the Stage 1 Design. It is our opinion that the proposed terminal layout simplifies construction phasing, thereby inherently reducing construction risk.	G
9.4	<b>Airside Design Aspects</b>	The proposed airside layout achieves the functional requirements of the RPW while providing increased flexibility for aircraft manoeuvring throughout the apron and implementing targeted pavement design so that taxilanes are designed for their operational use and not over designed. At this time, we do not see any significant risk with respect to the airside design.	G
9.5	<b>Terminal Design Aspects</b>	The proposed terminal layout achieves the functional requirements of the RPW. At this time, we do not see any significant risk with respect to the terminal design.	G

## 2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
9.6	<b>Landside Design Aspects</b>	<p>The landside scope of work incorporates the frontage roads structure immediately in front of the Headhouse, the Roadway Network, construction of the West Garage and fit out of Building 30.</p> <p>The technology to be implemented will consist of widely used highway construction techniques and should not pose a significant challenge from a technical point of view to implement. Staging and traffic management will be of critical importance in order to maintain traffic flows to the operating airport facilities.</p>	<b>G</b>
10.2	<b>Key Dates and Durations</b>	<p>The DBJV has developed an extremely detailed and comprehensive Project Master Schedule which contains further layers of detail. Activity durations appear to be reasonable and the overall Project duration appears to be sufficient to perform the Project.</p>	<b>G</b>
10.3	<b>RFP Requirements</b>	<p>LGP has incorporated the majority of the RFP activities into their Project Schedule, with exception of site clean-up activities.</p>	<b>G</b>
10.4	<b>Pre-Construction Works</b>	<p>Durations and lead-in times for preconstruction works appear to be satisfactory in terms of duration and logic, and in compliance with the Lease.</p>	<b>G</b>

**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
10.5	<b>Schedule Approach &amp; Methodology</b>	<p>LGP's phasing plans delivers the New Terminal B head house nine months earlier than the Stage 1 design and reduces the number of construction phases throughout the construction period. This will provide a more streamlined, single transition phase from existing systems such as baggage and security which inherently reduces operational risks. In addition, no tie-in between existing and new systems will be required.</p> <p>The LGP scheme will minimize disruptions to ongoing operations, completing most of the Construction Work offline and segregated from airside areas of the airport. Passengers will further benefit from fewer phases of temporary connectors between old and new infrastructure which will promote familiarity and easier way finding.</p> <p>By enclosing larger sections of airside construction areas in each of the phases LGP will improve construction efficiency and retain workers within the secure construction area which will reduce risk of conflicts with airport operations.</p> <p>Further, LGP's intended phasing has the further benefit of allowing revenue generation to commence far earlier than would be the case in the Stage 1 design which significantly reduces risk in the Project.</p>	<b>G</b>
10.8	<b>Schedule Assumptions &amp; Methods to Accelerate</b>	The schedule retains built in contingencies that the DBJV may avail of.	<b>G</b>
10.9	<b>Critical Path</b>	<p>The Project Phasing Plan and the Preliminary Baseline Schedules provided for review demonstrate a considerable amount of care and consideration relative to the timing, sequencing and phasing of the activities.</p> <p>Great care and importance has been placed on the interface between the phases, and the schedule provided reflects the importance of the phasing of the Work. We consider the development of the critical path to be appropriate for this stage of schedule development.</p>	<b>G</b>

**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
11.2	<b>Capital Cost Breakdown</b>	<p>Based on our earlier analysis of the P3 scope prior to LGP's proposal submission, we anticipated the construction cost for P3 elements to fall within a range of \$2.100-\$2.540 billion. The final estimate of the P3 scope amounts to \$2.8 billion, which remains within a reasonable margin of our originally anticipated range with consideration also to evolved scope and inclusion of escalation since bid.</p> <p>We are in receipt of the DBJV's detailed estimate providing a detailed inventory of unit pricing for both P3 and New Improvements elements. We have further met with the DBJV's estimating team to discuss the methodologies and assumptions underpinning the detailed estimates. From review of this we consider that the final Contract Price reflects similar methodologies for overhead and margin pricing used prior to LGP's proposal submission. We further consider the unit pricing utilized throughout both P3 and New Improvements estimates to be generally reasonable.</p> <p>Therefore, in our opinion, the Contract Price proposed by the DBJV is sufficient to complete the Project to satisfy the requirements of the DBJV's design and the Lease, which includes the Requirements and Provisions for Work.</p>	<b>G</b>
11.4	<b>Adequacy of Capital Cost</b>	<p>In our opinion, the P3 and New Improvements cost breakdown is acceptable to complete the Project and the DBJV has considered a fair degree of market conditions in the construction industry.</p>	<b>G</b>
11.5	<b>Benchmarking</b>	<p>The phasing, site conditions and procurement model for Terminal B Project make it a unique project and benchmarking derived costs can be misleading. Therefore, we have elected to focus on benchmarking individual unit rates rather than the facility as a whole. Overall, we found the unit rates to be within the anticipated range.</p>	<b>G</b>



**2.0 EXECUTIVE SUMMARY**

ref. no.	Description	Summary of current status	
11.8	<b>Project Cash Flow</b>	<p>The unit costs provided in the DBJV's estimate are within the anticipated range for projects of this type, size, and use in the New York City area.</p> <p>It is our view that the budget proposed by LGP is within the anticipated range and should be sufficient to complete a project of this nature without incurring any additional costs. This view is based on the current design per the Finalized Proposal dated March 21, 2016.</p> <p>Finally, we consider that the project cash flow will permit the procurement and level of construction activity as detailed in the project schedule.</p> <p>Overall, we are of the opinion that the Contract Price proposed by the DBJV is appropriate and sufficient to complete the Project.</p>	<b>G</b>
12.1	<b>Contractual Obligations</b>	<p>The requirements of the Lease with respect to maintenance and operation of Terminal B Facility are reasonable and without unduly onerous burden. Further, we conclude that the requirements are typical of airport deals in the United States.</p>	<b>G</b>
12.2	<b>O&amp;M Phases</b>	<p>LGP's proposed methodology and costs appropriately reflect the project stages.</p>	<b>G</b>
12.3	<b>O&amp;M Approach</b>	<p>Vantage has extensive experience and a strong reputation with respect to airport operations providing reassurance that they are more than capable to meet and manage the requirements of this project.</p>	<b>G</b>
12.4	<b>O&amp;M Costs</b>	<p>At this time, we have reviewed the methodology and inputs of the cost projection and find both reasonable and appropriate for this stage of the project.</p>	<b>G</b>
13.2	<b>Lease Requirements</b>	<p>In our opinion, the requirements of the Lease with respect to Life Cycle and Handback requirements are appropriate for the nature of this project and have been considered by LPG in their technical submission.</p>	<b>G</b>

2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
13.3	<b>LGP Approach</b>	The LGP technical submission document adequately describes their approach to asset management throughout the lease period and through the Hand Back period. By adopting a whole of life approach and regular planned preventative and predictive maintenance, LGP plan to maintain reliability and serviceability of the asset throughout the leasing term and Handback period.	<b>G</b>
13.5	<b>Synopses</b>	The approach adopted by LGP in their submission is in line with methodology common to other P3 projects at this stage. LGP has provided bench-marking of similar type projects and based upon their interpretation it is our opinion that they have included sufficient allowances to maintain the asset for the period of the lease and into the Handback period.	<b>G</b>
14.2	<b>Port Authority Funding</b>	We find the provisions and protocols for receiving Port Authority Funds to be straightforward and clearly articulated in the Lease, and therefore should not pose difficulty to LGP or the DBJV. Additionally, the DBJV has prepared a list of Eligible Costs extracted from the base estimate. We have reviewed the list of Eligible Costs and confirm that the value is in excess of the available Port Authority Funding limit. This should ensure that the full \$1,000,000,000 can be obtained from the Port Authority.	<b>G</b>
14.3	<b>Rental Payments</b>	Section 4 of the Lease clearly lays out that the minimum rental payable by Lessee will be \$15 million plus adjustments for inflation. We note that all rents described in Article 4 remain payable during the occurrence of a Force Majeure Event.	<b>G</b>
14.5	<b>Airlines Revenues</b>	The employment of the rate-based mechanism for calculating airline fees, the proponent should be able to allocate a percentage of costs to the airlines, with the exception of upfront capital costs. The main area of risk lies in LGP's ability to negotiate the AULAs with each of the tenants prior to commercial close.	<b>G</b>

## 2.0 EXECUTIVE SUMMARY

ref. no.	Description	Summary of current status	
14.6	<b>Non-Aero Revenues</b>	The forecasting and report prepared by Pragma appears comprehensive and its approach is in line with current airport retailing trends. We do not see any inherent risk in the methodology undertaken in this approach.	<b>G</b>
15.0	<b>Equator Principles</b>	The appropriate categorization for LGA is Category C where the project has “minimal or no social or environmental impacts” as defined by the IFC guidelines.	<b>G</b>

### 3.0 CONSORTIUM

#### 3.1 Key Members

3.1.1 The key members of the consortium are set out below. Descriptions of each consortium member are provided in the remainder of this section of the report.

Table 3.1: Key Consortium Members

Role	Company
Equity Members	Vantage Member (33.3%) Skanska ID (33.3%) Meridiam (33.3%)
Lessee	LaGuardia Gateway Partners LLC
DBJV	Skanska USA Building Inc (“Skanska Building”) (35%) Skanska USA Civil Northeast Inc (“Skanska Civil”) (35%) Walsh Construction Company II, LLC (“Walsh”) (30%)
Design Joint Venture (“DJV”)	WSP/Parsons Brinckerhoff (“WSP/PB”) (53%) HOK Architects (“HOK”) (47%)
Named Subcontractors to the DJV	Cage Inc (Aircraft Parking Advisor) CRC Engineering (Mechanical) Parks Environmental Consulting Inc (Environmental) Thornton Tomasetti (Structure) TransSolutions (Logistics Advisor) WSP Group (Acoustic Advisor)
Terminal Operator	Vantage Airport Group (New York) Management Ltd. (“Manager”)
Sponsors Technical Advisors	Ramboll Environ US Corp. (Health & Safety) Pragma Consulting Ltd (Commercial Advisor) Stantec (Life cycle Advisor) Laura Patrick Consulting (Sustainability) Oliver Wyman (Traffic Advisor)
Independent Airport Advisor	Ricondo (Project Revenue)
Financial Advisors	Societe Generale Morgan Stanley & Co.
Legal Advisor	O’Melveny & Myers (Lessee) Seyforth Shaw LLP (DBJV)
Underwriters	Citigroup Global Markets Inc. Wells Fargo Bank Barclays Ramirez & Co., Inc. Siebert Brandford Shank & Co. LLC

### 3.0 CONSORTIUM

Communications and Public Affairs	Edelman
Airline Rates and Charges	WJ Advisors LLC
Insurance Advisor	Alliant
Lenders' Technical Advisor	BTY Consultancy Group Inc.
Model Auditor	BDO
Lenders' Legal Advisor	Hawkins Delafield
Lenders' Insurance Advisor	Intech Risk Management
Tax & Accounting	Ernst & Young

### 3.2 Consortium Structure

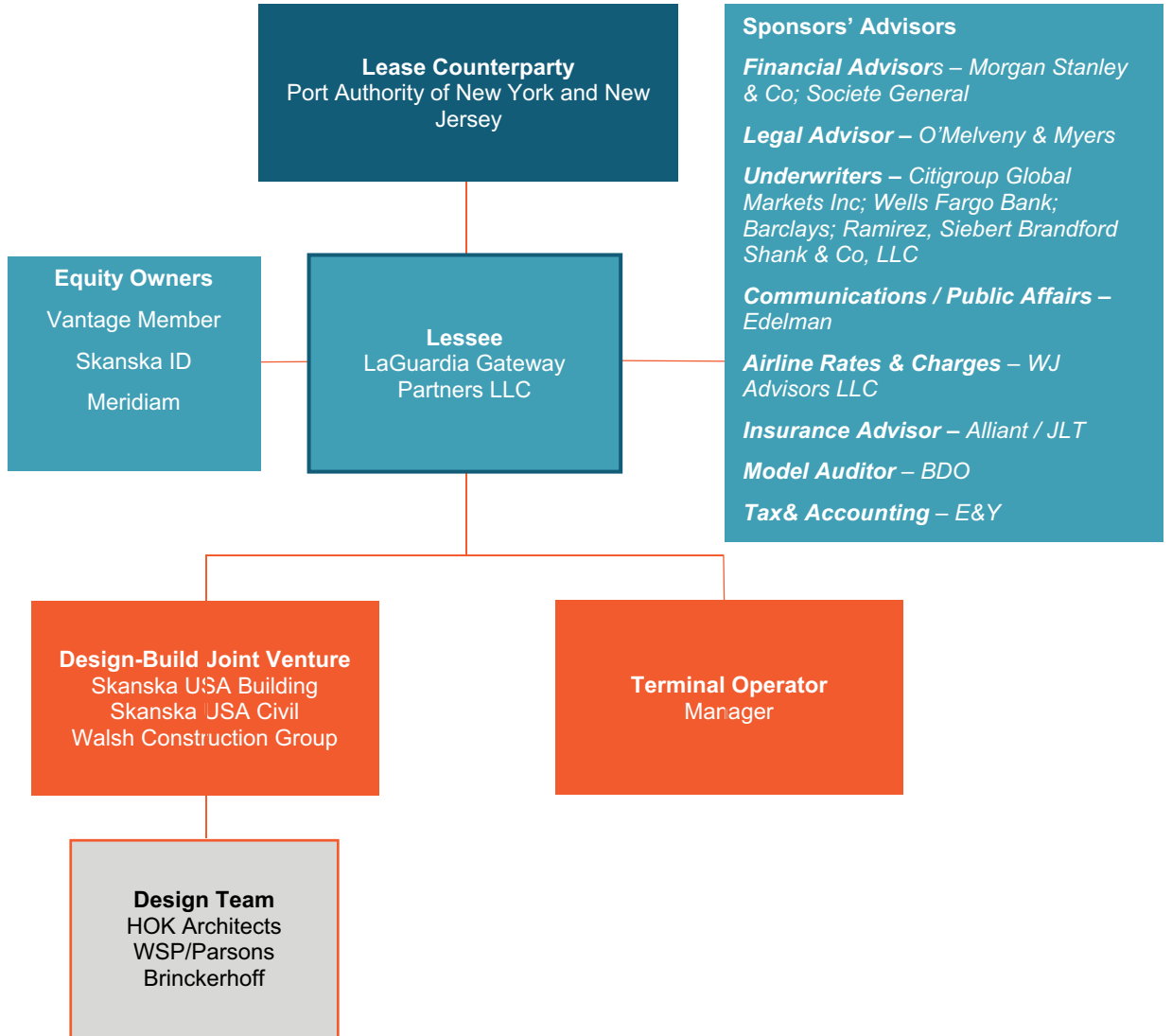
3.2.1 The Project team consists of 3 fundamental entities:

- The Lessee;
- The DBJV;
- The Terminal Operator.

**3.0 CONSORTIUM**

3.2.2 The general structure of the Project team is illustrated in Figure 3.1 below:

Figure 3.1: Project Team Organizational Chart



## 3.0 CONSORTIUM

### 3.3 Sponsor

- 3.3.1 The Lessee is LaGuardia Gateway Partners (“LGP”), which is collectively led by Vantage Member, Skanska ID and Meridiam, and (collectively “the Equity Owners”) who, prior to commercial close, have formed a legally constituted special purpose company which will act as a single point of contact for the Lease Counterparty for the purposes of delivering the Project during the construction and maintenance period.
- 3.3.2 LGP will be overseen by a Board of Directors comprised of six Directors, with each Equity Owner appointing two Directors. Collectively, the three Equity Owners of LGP have extensive experience in development, financial structuring and long-term asset management of airports and P3 infrastructure in the US, Canada and internationally.
- 3.3.3 LGP’s Equity Owners and their affiliates and other consortium members have demonstrated experience working together and with others on large and complex projects procured through the P3 model such as major airports and New York / New Jersey construction projects.
- 3.3.4 Strong vertical integration of LGP and the DBJV is also inherent within the overall Project team with Skanska ID, Skanska Building and Skanska Civil all being subsidiaries to the ultimate parent company Skanska AB.

#### **Vantage Airport Group Ltd.**

- 3.3.5 Vantage Airport Group Ltd. (“Vantage”) is a leading equity investor, developer and operator of airports. Based in Vancouver, British Columbia, Canada, Vantage currently has a portfolio of eight airports across the globe. Vantage’s airports served over 28.8 million passengers in 2015. As part of integrated design-build-operate teams, Vantage has managed \$2.5 billion in capital projects and \$4 billion in airport financing. Vantage achieves operational excellence by applying the combined knowledge and experience of a global network to benefit the local context. Since its founding in 1994, Vantage has successfully exported its demonstrated expertise in airport and terminal operations from Vancouver to its operations in Santiago, Cyprus, and the UK and elsewhere around the globe. Vancouver Airport Authority and Vantage are parties to a long-term Strategic Partnership Agreement, under which the parties collaborate and share information and resources.
- 3.3.6 Over the past 21 years, Vantage has achieved growth and set standards for the aviation industry. Vantage’s unique Project Suite includes expertise in airport and air service marketing, operations and maintenance, process engineering, commercial development, risk management, energy management and communications.
- 3.3.7 Vantage has successfully managed significant and complex airport construction projects in widely different environments and operated several airports during construction, including construction coordination, operational readiness and transition, and transitions from existing terminals to new terminals in Nassau, Larnaka, Pafos and Santiago. During the successful transition of 19 airports from public to private operation, Vantage has developed a proprietary transition roadmap document that is flexible for adaptation to other projects.

### 3.0 CONSORTIUM

3.3.8 Over the past 21 years, Vantage has worked with 27 airports; transitioned 19 airports from public to private management; and led more than \$2.5 billion in airport development and construction projects and \$4.0 billion in airport financing. In 2015, Vantage network airports served 28.8 million passengers at eight airports across three continents.

3.3.9 Table 3.4 below lists the airports, with which Vantage has worked in its 21-year history as a key partner in transitioning the facility from public to private operations:

Table 3.4: Vantage Relevant Experience

Project	Location
<b>Current Portfolio</b>	
North Peace Regional Airport	BC, Canada
Kamloops Airport	BC, Canada
Hamilton International Airport	Ontario, Canada
Greater Moncton International Airport	New Brunswick, Canada
Lynden Pindling International Airport	Bahamas
Sangster International Airport	Jamaica
Larnaka International Airport	Cyprus
Pafos International Airport	Cyprus
<b>Past Portfolio</b>	
Canadian Rockies International Airport	BC, Canada
L.F. Wade International Airport	Bermuda
Las Americas International Airport	Dominican Republic
Maria Montez International Airport	Dominican Republic
El Catey International Airport	Dominican Republic
Gregorio Luperon International Airport	Dominican Republic
Dr. Joaquin Balaguer International Airport	Dominican Republic
Arroyo Barril Airport	Dominican Republic
Wellington International Airport	New Zealand
Providenciales International Airport	Turks & Caicos
IAGS McCartney International Airport	Turks & Caicos
Arturo Merino Benitez International Airport	Santiago, Chile
Goloson International Airport	Honduras
Juan Manuel Galvez International Airport	Honduras
Ramon Villeda Morales International Airport	Honduras
Toncontin International Airport	Honduras
Durham Tees Valley Airport	United Kingdom
Liverpool John Lennon Airport	United Kingdom



### 3.0 CONSORTIUM

Robin Hood Airport Doncaster Sheffield	United Kingdom
--	----------------

#### Skanska Infrastructure Development Inc.

- 3.3.10 Skanska Infrastructure Development Inc. is the US P3 development arm of Skanska AB, one of the world’s leading project development and construction groups. Skanska AB’s expertise in construction, development of commercial and residential projects and P3 projects extends across selected markets in Europe (Sweden, Norway, Finland, Poland, Czech-Republic, Slovakia, Hungary, UK), the US and Latin America. Skanska AB’s single largest market is the US followed by Sweden.
- 3.3.11 Skanska AB was founded in 1887 and ranks as the world’s 8th largest international contractor (Engineering News Record 2015 – Top 225 International Contractors). Skanska is a *Fortune* most admired company; included in the FTSE4Good Index; a member of the United Nations Global Compact; and all its US businesses are ISO 140001 / OHSAS 18001 certified.
- 3.3.12 Skanska USA Inc.’s parent company, Skanska AB, had global revenue of \$21 billion in 2013, and \$17B in 2014.
- 3.3.13 Skanska ID’s P3 experience includes development of over 30 P3 projects in the US, Europe and Latin America including:

Table 3.3: Skanska ID Relevant Experience

Project	Country	Status	Project Cost (\$ M)
Elizabeth River Tunnels	USA	On schedule to be completed in 2016	\$1.5B
I-4 Ultimate	USA	Targeted completion in 2021	\$2.1B
New Karolinska Hospital	Sweden	On schedule for completion in 2018	\$1.7B
M25 London Orbital	UK	Construction complete	\$1.5B
Antofagasta Toll Roads	Chile	Construction complete	\$215M

#### Meridiam Infrastructure North America Fund II

- 3.3.14 MI LaGuardia CTB, LLC is a wholly owned subsidiary of Meridiam Infrastructure North America Fund II which is a P3 dedicated investment fund belonging to the Meridiam family of funds.
- 3.3.15 Meridiam is a private equity firm specializing in P3 infrastructure assets investment in the transportation, public accommodation, health, education, and environment sectors. The firm primarily makes long-term investments, in all Organization for Economic Co-operation and Development countries in Europe and North America. Meridiam is a developer/investor in the U.S. greenfield P3 market, having successfully reached financial close in a number of high profile US transportation projects listed in Table 3.2.

### 3.0 CONSORTIUM

3.3.16 Meridiam has been one of the most active Lessees/ investors in the U.S. greenfield P3 market having successfully reached financial close in a number of high profile US transportation projects including the North Tarrant Express project (Texas) (\$2.1 billion), the IH-635 (LBJ Freeway) project (Texas) (\$2.6 billion) and the Port of Miami Tunnel project (Florida) (\$886 million).

3.3.17 Table 3.2 below highlights some of Meridiam’s key project experience in the US:

Table 3.2: Meridiam Relevant Experience

Project	State	Status	Project Cost (millions)
Long Beach Courthouse	CA	Completed 08/20/2013 In Operations	\$495
Presidio Parkway	CA	Completed 09/26/2015 In Operations	\$364.7
LBJ Express	TX	Completed 09/04/2015 In Operations	\$2,644.3
North Tarrant Express 1-2	TX	Completed 10/03/2014 In Operations	\$2,100
North Tarrant Express 3A-3B	TX	Construction Scheduled Completion 09/25/2018	\$1,300
Port of Miami Tunnel	FL	Completed 08/03/2014 In Operations	\$903

3.3.18 Meridiam has also participated in several transportation and other P3 projects in Canada including Northeast Anthony Henday Ring Road (Alberta), Waterloo Light Rail (Ontario) and CRCHUM research facility (Quebec) and in Europe including the A5 Motorway (Germany), the R1 Motorway (Slovakia), the A2 Segment II Motorway Project (Poland), and the Limerick Tunnel (Ireland).

3.3.19 Meridiam is currently managing long-term infrastructure investments worth over \$3 billion worldwide. It has won *Infrastructure Fund of the Year – Overall* three consecutive years by Infrastructure Journal as well as numerous other project-specific awards for its US and European projects.

#### Roles of the Partners

3.3.20 Vantage will provide expertise in operations and maintenance. Its primary roles and responsibilities include:

- Legal/compliance
- Human Resources
- Terminal management
- Concession management
- Operational readiness and transition during construction phases

3.3.21 Meridiam will provide expertise in development, financing and long term facility management. Its primary roles and responsibilities include:

### 3.0 CONSORTIUM

- Financial reporting
- Procurement
- Insurance and risk management
- Lifecycle

3.3.22 Skanska ID bring expertise in development, management and investment and has global experience in privately financed infrastructure projects. Its primary roles and responsibilities include:

- Engineering support
- Baggage system management
- In house maintenance
- IT management
- Maintenance planning

### 3.4 *The DBJV Team*

3.4.1 The DBJV consists of a fully integrated joint venture between Skanska USA Building Inc., Skanska USA Civil Northeast Inc. (together, Skanska USA Inc.), and Walsh Construction Company II, LLC. With Skanska acting as the lead partner, the DBJV will develop and implement a complete design-build solution in close association with the design team.

3.4.2 The DBJV team members have extensive experience in the construction of complex and large infrastructure projects.

3.4.3 The parties to the DBJV team are each major construction firms in their own right with extensive experience in large civil projects not just across the US but in the NYC area specifically. Each of the members have successfully delivered significant aviation projects, therefore, we would consider that each of their abilities and experiences will be a major strength in delivering the Project.

3.4.4 The constructors also have experience working with the Port Authority, most recently on the World Trade Center and the JFK AirTrain.

3.4.5 Both Skanska AB and The Walsh Group, Ltd. will act as Guarantors for the project on a joint and several basis. Refer to Section 5.0 of this report for details on the security package.

#### **Skanska USA Inc**

3.4.6 Skanska USA Inc, which in turn is part of the Skanska AB group, has extensive experience in the successful delivery of challenging, fast-tracked transportation projects. In addition to being ranked 7th on Top 400 Contractors from Engineering News-Record 2013, Skanska USA is also 6th on top 100 Green Contractors and 7th largest transportation contractor in the US.

3.4.7 Skanska had US revenues of \$6.7 billion in 2013, has a bonding capacity in excess of \$7.5 billion (in the USA), employs over 9,600 people and has completed over numerous projects using the design-build delivery method.

3.4.8 Skanska's relevant experience in transportation and road construction includes:

### 3.0 CONSORTIUM

- SR 60/ Tampa Airport Interchanges, Florida (\$220 million) Florida; Design-Bid-Build project including 6 miles of highway, 2 interchanges and 20 bridges structures;
- I-275 Urban Widening, Tampa, Florida, Florida (\$215 million) Florida; Design-Build project including 4.4 miles, over 25 bridges and interchanges, complex roadway widening and sound barrier requirements;
- The Elizabeth River Tunnel (formerly Midtown Tunnel) P3 Project in Virginia (\$1.5 billion) that includes the \$180 million MLK interchange;
- I-10 Escambia Bay Bridge, Florida Design-Build Project (\$225 million);
- \$1.1 billion World Trade Center Transportation Hub, New York;
- \$1.2 billion light rail project at JFK International Airport, New York;
- \$542 million Cooper River Bridge in South Carolina (a cable stayed bridge delivered a year ahead of schedule); and
- \$150 million Indian River Inlet Bridge in Delaware, also a significant cable stayed bridge;
- I-15 Urban Widening between Victorville and Barstow, California.

3.4.9 Skanska has successfully completed infrastructure projects that incorporate tolling and significant ITS systems including:

- the New Jersey Turnpike Exit 13A Interchange; and
- the State Road 60 / Memorial Highway reconstruction project in Florida.

3.4.10 Skanska has also been awarded repeat contracts by leading US transportation departments, including the California Department of Transportation and the Port Authority of New York and New Jersey, further demonstrating the success it has had in transportation projects on both coasts of the continental US.

### 3.0 CONSORTIUM

3.4.11 Skanska’s relevant experience in building construction includes the following:

Table 3.5: Skanska USA Airport-Related Building Relevant Experience

Airport	Project	Country	Status	Project Cost (\$ M)
T.F. Green Airport	Hold Baggage Screening & Security Upgrades	USA	Construction	70
Tampa International Airport	New Airside Terminal E	USA	Construction	70
Southwest Oregon Regional Airport	New Terminal Development	USA	Construction	25
Tampa International Airport	Outbound Baggage Handling System & Security Enhancements	USA	Construction	139
Boston Logan International Airport	Terminal A Redevelopment	USA	Construction	384
Boston Logan International Airport	Terminal C Checkpoint Consolidation & HVAC Improvements	USA	Construction	54
Boston Logan International Airport	Terminal E Renovations	USA	Construction	50

#### Walsh Construction Group

3.4.12 Walsh Construction Company II, LLC, a subsidiary of The Walsh Group, Ltd. (“Walsh”), is a fourth generation family-owned contractor based in Chicago. Operating across the US and internationally, Walsh provides construction services such as DBJV, general contractor, construction manager, Lessee, financier and facility manager with annual revenues exceeding \$4 billion.

3.4.13 In addition to being ranked one of the top 15 national contractors by Engineering News-Record, Walsh is also the nation’s 1<sup>st</sup> largest bridge builder, 2<sup>nd</sup> largest domestic heavy contractor and 5<sup>th</sup> largest aviation contractor. They have invested over \$450 Million in capital equipment and regularly employ over 5,000 engineers and skilled tradesmen.

3.4.14 Walsh is bonded by Travelers Casualty and Surety Company of America, a member of the Travelers Group. The firm holds a Financial Stress Class rating of 1, which indicates low risk of severe financial stress in the coming years. Walsh carries a bonding limit of over \$1 billion for a single contract and an overall bonding capacity of over \$8 billion.

3.4.15 Walsh brings to this Project extensive experience of the delivery of aviation facilities, coupled with world class construction experience and a strong familiarity with the design and construction requirements associated with LEED certified buildings. They have successfully completed projects including LAX Tom Bradley International Terminal (US\$1.2B), SMF Terminal B Modernization (US\$410M), RDU Terminal C Renovation (US\$412M) and Ohio River Bridge East End Crossing (US\$980M).

### 3.5 Design Team Members Subcontracted to the DBJV

3.5.1 The DBJV partners have teamed up with a design team consisting of WSP/Parsons Brinckerhoff (“WSP/PB”) and HOK Architects (“HOK”). With

### 3.0 CONSORTIUM

WSP/PB acting as the lead partner, the design team will provide multi-disciplinary design services to the DBJV. Both companies have a significant presence in the US.

#### WSP / Parsons Brinckerhoff

3.5.2 WSP/PB, founded in New York in 1885, is a global consulting firm operating in more than 150 offices over five continents with 14,000 staff. WSP/PB's expertise in strategic consulting, planning, engineering, program management, construction management, and operations and maintenance for all types of infrastructure projects.

3.5.3 WSP/PB has extensive experience throughout the USA. The professional associations awards achieved are the Grand Conceptor Award from American Council of Engineering Companies and Outstanding Civil Engineering Achievement Award to 11 projects from the American Society of Civil Engineers.

3.5.4 WSP/PB has provided design engineering services for signature aviation projects including:

- Taoyuan International Airport Terminal 3 Area in Taiwan, providing general consultancy services (completion by 2018);
- T.F. Green Airport InterLink Facility in Rhode Island, USA, providing program management services;
- Ronald Reagan Washington National / Washington Dulles International Airports in Washington, USA, providing program management services;
- O'Hare International Airport Modernization Program in Chicago, USA, providing construction management services;
- Metropolitan Washington Airports in Washington, USA, providing strategic and infrastructure finance consulting services.

#### HOK Architects

3.5.5 HOK Architects is a global planning, design, architecture, and engineering firm founded in 1955. HOK now operates across 24 offices in three continents with 1,600 staff. HOK brings their expertise to create design solutions for their clients in various types of projects such as aviation, transportation, commercial, corporate, education, government, healthcare, hospitality, justice, residential and tall buildings.

3.5.6 HOK has extensive experience throughout the US and internationally. The recent awards they have achieved include:

- Airports Council International Best Airports in North America – Indianapolis International Airport, Indiana, USA
- Project Achievement Award, Design Quality Industry Partner by Construction Management Association of America – Long Beach Airport Terminal Modernization, California, USA
- Best International Healthcare Design Project – University Medical Center of Princeton at Plainsboro Replacement Hospital, New Jersey, USA
- APM Project Management Awards Programme of the Year, BBC New Broadcasting House, London, UK
- Engineering News-Record Southeast Award of Merit – University of Florida Lake Nona Research Centre, Florida, USA

### 3.0 CONSORTIUM

- Sustainability Leadership Award Citation of Merit by American Institute of Architects – King Abdullah University of Science and Technology, Thuwal, Saudi Arabia

#### *Conclusions:*

*The major parties substantial experience in air transportation is testament of their abilities to successfully complete large and complex aviation projects such as Terminal B at LaGuardia Airport. The major parties are further strengthened by the inclusion of a strong cast of subcontractors and advisors whose expertise and local knowledge in each of their own fields will be a significant strength toward the successful implementation of the Project.*

*We note that each of the consortium members are major construction firms in their own right and have extensive experience in large civil projects in NYC and across the US. We consider both the Lessee's and the DBJV's collaborative experience and strength a major asset toward successfully bidding and completing the Project.*

*The highly experienced equity partners should have no issues to collaboratively carry out the responsibilities of the Lessee, promoting a smooth, timely and successful Project delivery. The Lessee is further strengthened by its advisors who have significant industry experience in operations, maintenance and lifecycle modeling.*

*In Vantage, LGP brings award winning airport management expertise to the table. Their experience not only in airport operations, but managing operations during complex construction phasing and transitioning to a private facility, only enhances the LGP consortium's strengths.*

## 4.0 COMMERCIAL COMMENTARY – LEASE

### 4.1 Introduction

4.1.1 We have been provided with a copy of the Lease Version 15 dated April 13, 2016 together with the Lease Exhibits for the Project. We have limited our comments below to potential areas of technical risk and their mitigation.

### 4.2 Lease and Ancillary Documents

4.2.1 The Lease sets out the rights and obligations of the Lessee and the Port Authority with respect to the design, construction, commissioning, operations and maintenance of the Project. This is the principal contract which the Lessee will enter into with the Port Authority.

4.2.2 Lessee will pass down certain obligations incurred under the Lease through separate agreements, namely the Design-Build Contract and the Management Services Agreement. The Design-Build Contract (“DBC”) sets out the terms and conditions for the design and construction of the Project. LGP will be directly responsible for all operations and maintenance work required under the Lease for the duration of the project Term. LGP will enter into a Management Services Agreement (“MSA”) with Manager who will provide LGP with management and support services with respect to its affairs and the required operations and maintenance work under the Lease.

4.2.3 Please refer to the Lease and the Exhibits to the Lease for definitions of capitalized terms used in this report. References to Articles, Sections or Exhibits are references to those of the Lease, unless otherwise noted.

4.2.4 The Lessee’s intent is that all significant areas of project risk during construction will be transferred to the DBJV. During operations, certain elements of management risk will be passed down to Manager under the MSA.

4.2.5 There are 35 Articles to the Lease:

<i>Article 1</i>	<i>Definition; Project Documents</i>
<i>Article 2</i>	<i>Term</i>
<i>Article 3</i>	<i>Lease and Use of the Premises</i>
<i>Article 4</i>	<i>Rental</i>
<i>Article 5</i>	<i>Subleases</i>
<i>Article 6</i>	<i>Third Party Contractors and Services</i>
<i>Article 7</i>	<i>Utilities; Services to the Lessee</i>
<i>Article 8</i>	<i>Submittals; Open Dialogue and Cooperation; Other Redevelopments</i>
<i>Article 9</i>	<i>Port Authority Funding</i>
<i>Article 10</i>	<i>Design and Construction</i>
<i>Article 11</i>	<i>Operations and Maintenance</i>
<i>Article 12</i>	<i>Contractors, Suppliers and Lead Personnel</i>
<i>Article 13</i>	<i>Port Authority and Lessee Changes; Directive Letters; Safety Compliance Orders</i>
<i>Article 14</i>	<i>Compensation Events; Delay Events</i>
<i>Article 15</i>	<i>Compliance with Law</i>
<i>Article 16</i>	<i>Environmental, Health and Safety Requirements</i>
<i>Article 17</i>	<i>Assignments</i>
<i>Article 18</i>	<i>Lenders’ Rights and Remedies; Refinancing</i>
<i>Article 19</i>	<i>Principal Lessee Documents</i>
<i>Article 20</i>	<i>Insurance</i>



## 4.0 COMMERCIAL COMMENTARY – LEASE

Article 21	<i>Indemnity</i>
Article 22	<i>Representations and Warranties</i>
Article 23	<i>Lessee Events of Default</i>
Article 24	<i>Grounds for Termination by the Lessee; Other Termination</i>
Article 25	<i>Early Termination of the Basic Lease</i>
Article 26	<i>Condemnation</i>
Article 27	<i>Actions upon Termination</i>
Article 28	<i>Right to Perform the Lessee's Obligations</i>
Article 29	<i>Limitations on the Lessee's Right to Rely</i>
Article 30	<i>Maintenance and Inspection of Records</i>
Article 31	<i>Intellectual Property</i>
Article 32	<i>Requesting Airlines at LGA Airport</i>
Article 33	<i>Dispute Resolution Procedures</i>
Article 34	<i>Consequential Losses; Double Recovery; Non-Exclusive Remedies; Payments by the Port Authority</i>
Article 35	<i>Miscellaneous</i>

### 4.2.6 There are 37 Exhibits to the Lease:

Exhibit 1	<i>Existing Facilities Map and New Facilities Map</i>
Exhibit 2	<i>Assigned Terminal B Facilities Agreement</i>
Exhibit 3	<i>Existing Airline Subleases</i>
Exhibit 4	<i>Port Authority Governmental Approaches</i>
Exhibit 5	<i>Disclosed Environmental Reports</i>
Exhibit 6	<i>Additional Environmental Regulations</i>
Exhibit 7	<i>Sublease Provisions</i>
Exhibit 8	<i>List of Financing Documents</i>
Exhibit 9	<i>Initial Designation of Authorized Representatives</i>
Exhibit 10	<i>LGA Terminal B Site Diagram</i>
Exhibit 11	<i>Form of Letter of Credit</i>
Exhibit 12	<i>Certain Public Policy Requirements</i>
Exhibit 13	<i>Affirmative Action, Equal Opportunity, Minority Business Enterprise, Women-Owned Business Enterprise Requirements</i>
Exhibit 14	<i>Local Business Enterprise and Employment Opportunity</i>
Exhibit 15	<i>Airport Concession Disadvantaged Business Enterprise (ACDBE) Participation</i>
Exhibit 16A	<i>Form of Port Authority Funding Disbursement Request Certificate</i>
Exhibit 16B	<i>Form of Request for Payment for Port Authority Funding for the New Improvements and the Central Hall</i>
Exhibit 16C	<i>Form of Contractor's Lien Waiver</i>
Exhibit 17	<i>Form of Consent to Sublease</i>
Exhibit 18	<i>[Reserved]</i>
Exhibit 19A	<i>Requirements and Provisions for Work for Terminal B Facilities</i>
Exhibit 19B	<i>Requirements and Provisions for Work for the New Improvements</i>
Exhibit 19C	<i>Requirements and Provisions for Work for the Central Hall</i>
Exhibit 20	<i>Utility Data</i>
Exhibit 21	<i>Lessee's Proposal Commitments</i>
Exhibit 22	<i>Lessee Organizational Chart</i>
Exhibit 23	<i>Form of Lessee Assignment and Assumption Agreement</i>
Exhibit 24	<i>Title Report</i>
Exhibit 25	<i>Disclosed Existing Facilities Operations and Maintenance Information</i>
Exhibit 26A	<i>New Improvements Payment and Milestone Schedule</i>
Exhibit 26B	<i>Central Hall Payment Milestone Schedule</i>
Exhibit 27	<i>Adjustments to Contract Compensation</i>
Exhibit 28A	<i>Construction Site</i>

## 4.0 COMMERCIAL COMMENTARY – LEASE

<i>Exhibit 28B</i>	<i>Existing Leased Property</i>
<i>Exhibit 28C</i>	<i>Permanent Rights of Access</i>
<i>Exhibit 28D</i>	<i>New Facilities Site</i>
<i>Exhibit 28E</i>	<i>Temporary Rights of Access</i>
<i>Exhibit 28F</i>	<i>Central Hall Site</i>
<i>Exhibit 29</i>	<i>Independent Insurance Consultant</i>
<i>Exhibit 30</i>	<i>Wage and Benefits Requirements</i>
<i>Exhibit 31</i>	<i>[Reserved]</i>
<i>Exhibit 32</i>	<i>Available Documents</i>
<i>Exhibit 33</i>	<i>Central Hall Provisions</i>
<i>Exhibit 34</i>	<i>Performance Standards and Measurement Provisions</i>
<i>Exhibit 35A</i>	<i>New Facilities Construction Milestones and Guaranteed New Facilities Construction Milestone Completion Dates</i>
<i>Exhibit 35B</i>	<i>New Improvements Construction Segments Required in Connection with Partial Completion of New Facilities Construction Milestones</i>
<i>Exhibit 36</i>	<i>Budgeted Disposal Locations</i>
<i>Exhibit 37</i>	<i>Lessee Damages Determination</i>

### 4.3 Article 2 – Term

- 4.3.1 The Term of the Agreement is defined in Article 2 as starting on the Lease Commencement Date and expiring on the earlier of (i) 11.59pm New York City time on the 30<sup>th</sup> day of December 2050, or upon the termination of the Basic Lease (the Expiry Date) or (b) the Early Termination Date.
- 4.3.2 The Lease between the City of New York and the Port Authority expires the following day, December 31, 2050.
- 4.3.3 Early termination Date is defined as a date of Termination determined for any reason prior to the Expiry Date.
- 4.3.4 Under Section 2.2, the Port Authority is permitted to notify Lessee of a Partial Termination of the Lease solely with respect to the Central Hall. The Port Authority must provide written notice to the Lessee specifying the Partial Termination Date, delivered not later than 6 months prior to such Partial Termination Date.
- 4.3.5 The Partial Termination Date cannot occur prior to the earlier of (a) the 7<sup>th</sup> anniversary of (i) the date of issuance of the Temporary Certificate of Authorization to Occupy or Use with respect to the Central Hall or (ii) the Substantial Completion Date, whichever of clause (i) or (ii) occurs earlier and (b) the date of commencement of regularly scheduled operations at the AirTrain Station. Upon a Partial Termination, except as provided in Part 1, Section 4 of Exhibit 33 (Central Hall Provisions), all of the Lessee's rights, privileges and obligations with respect to the Central Hall will cease to exist.
- 4.3.6 Part 1, Section 4 of Exhibit 33 states that the Port Authority may use and operate the Central Hall directly or through agents in the case of a Partial Termination, except that it may not sublease any portion of the Central Hall without Lessee's prior consent to Scheduled Aircraft Operators which are Airline Sublesses of the Lessee. The consent requirements only apply where the occupancy rate of the spaces reserved for the Airline Sublesses at the New Terminal B Terminal is 95% or higher at the time of commencement of the lease between the Port Authority and such Scheduled Aircraft Operator. The operating arrangement allows LGP to utilize

## 4.0 COMMERCIAL COMMENTARY – LEASE

economies of scale from the CTB operations. We have been informed through discussions with LGP that the 7-year duration was chosen as a reasonable timeframe within which they should be able to implement an O&M regime and recoup initial setup costs. The partial termination element is included not as a result of any inherent risk that termination would be necessary due to poor performance, but rather to provide a level of flexibility within the Lease for the Central Hall, should more appealing commercial opportunities present themselves.

### *Conclusions:*

*The Term of the Agreement is equal to the remaining term of the Lease under which the Port Authority is obligated to operate LGA for the City of New York. The Lease will expire the day prior to the expiry of the agreement between the Port Authority and the City of New York.*

*The Term of the Agreement is an approximate 35-year term from the Lease Commencement Date which is within a normal precedent on US P3 projects.*

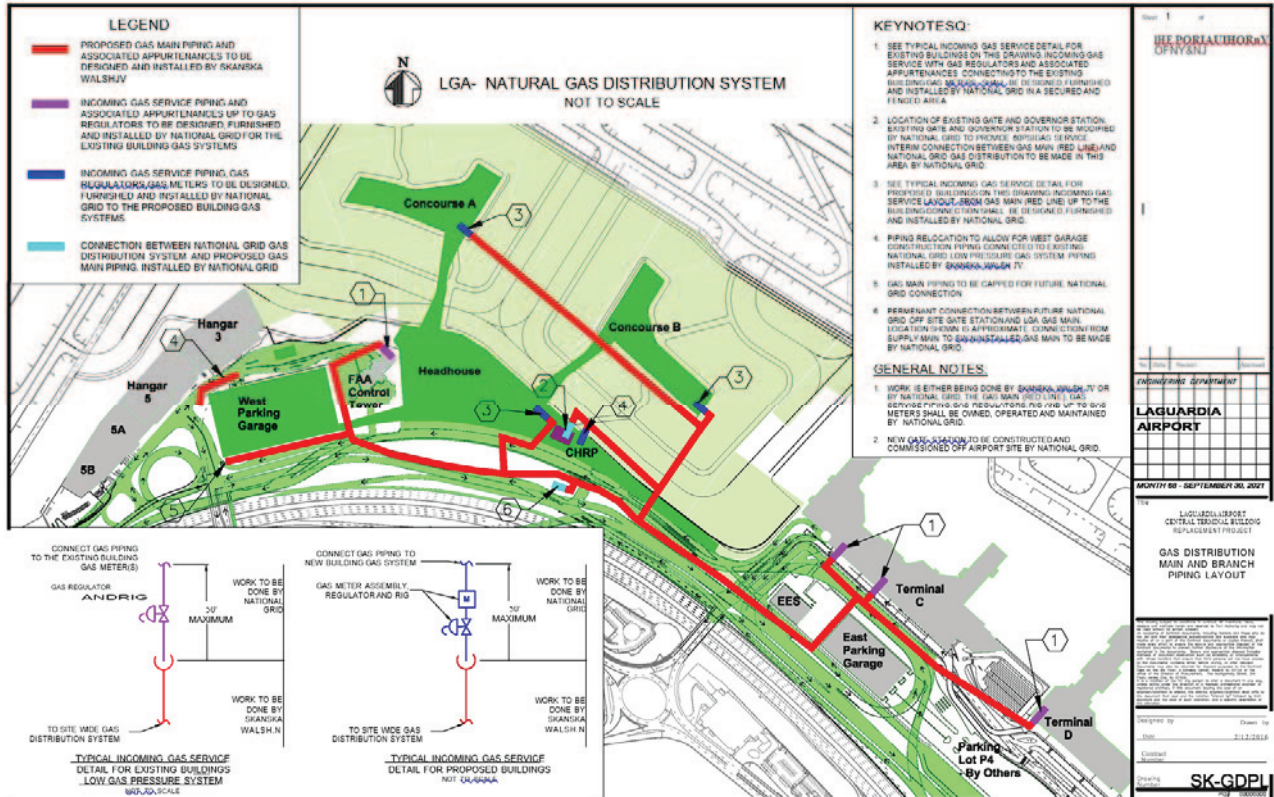
### 4.4 **Article 7 – Utilities; Services to the Lessee**

- 4.4.1 Except as described below, the Port Authority is not obligated to perform or furnish any Utilities or Utility Services in connection with the Construction Project or use and occupancy of the Premises and the areas subject to the Temporary Rights of Access.
- 4.4.2 Section 7.2(a) of the Lease references natural gas as responsibility of Lessee to obtain that is not being furnished by the Port Authority. As advised by the DBJV, National Grid is obligated to install a new gas facility and appurtenances in support of the Terminal Reconstruction. The DBJV will include in the Contract Price the cost to extend the gas service from the Governor Station to the demarcation points shown in Figure 4.1 (50' from building). This work is to be done during the New Improvement work.
- 4.4.3 With respect to electricity, the Lessee agrees to take from the Port Authority and pay for the electricity of the same voltage, phase and cycle, but limited to the maximum of the installed transformer capacity on the Lease Commencement Date. The cost will be equal to the same charge (including demand and similar charges) that would be made by the Port Authority.
- 4.4.4 The Port Authority agrees to permit supply of potable water to the Premises and the Construction Site in reasonable quantities as requested by the Lessee through existing and new pipes, mains and fittings at a cost equal to the same charge that would be made by the City for the same quantity.
- 4.4.5 The Lessee is obliged to pay the Port Authority for the existing and future charges for sewerage services furnished by the City as are currently or may be imposed in respect of the Premises or the Construction Site in the future.
- 4.4.6 The Lessee will be responsible for:
  - i. design and construction of all new Utilities and install all necessary electrical and communication wires, cables, conduits and duct banks, and all lines, connections and meters within the Lessee Construction Boundary;

4.0 COMMERCIAL COMMENTARY – LEASE

- ii. all necessary Utility Relocations;
- iii. coordination with all third parties owning Utilities affected by the Construction Work; and
- iv. all other Work relating to the Utilities.

Figure 4.1: Natural Gas service boundaries



- 4.4.7 The Port Authority will retain the right to maintain existing and future utility, mechanical, electrical and other systems and to enter the Premises at all reasonable times to make such repairs, replacements or alterations, with the proper notice to and coordination with the Lessee.
- 4.4.8 There are currently located sewer, water mains, water and wastewater conduits, treatment facilities, sludge lines, a sludge dock and sludge tank, power lines, telephone and signal lines, meters and other facilities to which the City retains ownership and control pursuant to the Basic Lease and are not subject to the Agreement (the "Retained Water System Property"). The City will retain the right to maintain, repair, restore and replace of the Retained Water System Property.
- 4.4.9 As advised by the DBJV, all major services connections will be realigned along the new frontage. There are no major third party infrastructure elements that would impact the airport operations.

## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.4.10 We note that no excavation or building is allowed to occur which will affect the usefulness of the Retained Water System without approval and supervision of NTYDEP. We have discussed this with the DBJV and confirm that no instances requiring supervisions are anticipated.

*Conclusions:*

*Under the Lease, the Lessee is wholly responsible for all utility connections and relocations on the Premises other than the Retained Water System which remains under ownership of the City under the Base Lease.*

## 4.5 **Article 8 – Submittals; Open Dialogue and Cooperation; Other Redevelopments**

- 4.5.1 The Lessee is responsible to schedule, prioritize and coordinate all Submittals to allow an efficient and orderly review and/or approval process of such Submittals. To the extent that the Lessee exceeds any of the time and quantity limits on Submittals provided in the Lease, in the D&C Schedule of Submittals, the O&M Schedule of Submittals, the Requirements and Provisions for Work or the other provisions of the Project Documents, the Port Authority’s time to respond will be extended by a reasonable time so that the Port Authority may conduct a diligent and thorough review. The Lessee may request the Port Authority to prioritize certain Submittals in such a case.
- 4.5.2 Within the first 10 days of receipt of a Submittal, the Port Authority will notify Lessee if it considers the Submittal incomplete. If no notification is provided, the Submittal is considered complete.
- 4.5.3 For Submittals subject to Port Authority Approval, the Port Authority must respond within the time period specified in the provisions of the Lease, the D&C Schedule of Submittals, the O&M Schedule of Submittals, the Requirements and Provisions for Work or in the other Project Documents with respect to such Submittal or, if no time period is specified, within 30 days after the date on which such Submittal has been deemed complete.
- 4.5.4 Section 8.6 of the Lease states that the Parties understand that Delta has initiated preliminary planning and design activities to explore the redevelopment of Terminals C and D at LGA Airport (the “Other Redevelopments”). In connection with the advancement of such Other Redevelopments, it is expected that the Port Authority will require Delta to submit certain Tenant Alteration Applications (“TAAs”) to the Port Authority for the Port Authority’s review and approval, in accordance with established Port Authority policy and practice.
- 4.5.5 The Port Authority agrees that it will in good faith consider and take into account the impacts (including cost, revenue and schedule) that the issuance of any permit pursuant to a TAA submitted by Delta may have on the implementation of the Lessee’s construction phasing and related activities for the Project. If so requested by the Port Authority, the Lessee shall provide an advance analysis as to such impacts to facilitate the Port Authority’s review. We note for clarity that examples of such impacts during the construction period could include longer Port Authority approval review times, changes to available staging areas, site access and available labor. During the operating period, examples could include disruptions related to passenger flow (AirTrain or otherwise), or increased competition in terms of retail



## 4.0 COMMERCIAL COMMENTARY – LEASE

and dining. We consider impacts during the construction period to be of higher priority, which we note are adequately mitigated by the fact that there are no clear plans for future Delta project as yet, and as such the Project will be well established in advance of any such risks presenting themselves. Given the total construction duration, we cannot state definitively that construction of the Project will be complete in advance of any future Delta projects, however we consider the time available to be adequate to adequately address, resolve or mitigate potential impacts.

- 4.5.6 The Port Authority shall not approve any such TAA if the Port Authority reasonably determines that the work proposed to be performed by Delta or its contractors at LGA Airport pursuant to such TAA is reasonably likely to interfere materially with the Construction Work performed or to be performed by the Lessee or its Contractors. The Port Authority may approve any TAA with respect to the Other Redevelopments that may have an impact to the Lessee and/or the Project but on the condition that the Port Authority and Lessee have agreed to the terms of a change order.

### *Conclusions:*

*The provisions for Submittals and Port Authority review thereof provide a clear and reasonable review process framework. We consider that the review periods provided are reasonable and in line with US P3 precedent.*

*The Lease also contemplates potential future development of Terminals C and D at LGA Airport. The Port Authority agrees it will in good faith consider impacts to Lessee as a result of such potential Other Redevelopment. We note that a change order will be required should any Other Redevelopment have an impact to the Lessee, affording Lessee opportunity to negotiate appropriate compensation.*

## 4.6 Article 10 – Design and Construction

- 4.6.1 The Lessee is to complete the following, defined as the Construction Project:
- i. decommissioning and demolition of the Existing Terminal B Facilities;
  - ii. demolition of P2 Garage, Hangar 1 and associated frontage roads;
  - iii. decommissioning and demolition of the Central Electric Substation;
  - iv. design, construction and demolition of temporary facilities to support passenger services during construction of the New Facilities;
  - v. design and construction of the New Terminal B Facilities replacing the Existing Terminal B Facilities;
  - vi. design and construction of the elevated and at-grade pedestrian walkway connection between the New Terminal B Facilities and the new West Garage (the “New Pedestrian Walkway”);
  - vii. the design and construction of the Central Hall;
  - viii. decommissioning and demolition of the existing central heating and refrigeration plant (“Existing CHRP”);
  - ix. design and construction of the New CHRP;
  - x. design and construction of the new consolidated receiving and warehouse distribution facility (“CRWD”);
  - xi. design and construction of such portion of the hydrant aircraft fueling infrastructure to be located within the contiguous aircraft ramp areas (such portion of the hydrant aircraft fueling infrastructure together with the New Terminal B Facilities, the New Pedestrian Walkway, the New CHRP and the CRWD, define the “New Facilities”);

## 4.0 COMMERCIAL COMMENTARY – LEASE

- xii. demolition and removal of the National Grid Gate and Governor Station following National Grid's decommissioning (SWJV and National Grid have agreed that National Grid will perform the demolition and removal of the building, but final technical solutions are still being considered);
  - xiii. fit-out of Building 30 and relocation of Port Authority staff from the Existing Terminal B Facilities to Building 30 (the "Building 30 Fit-out");
  - xiv. design and construction of improvements to the public airport roads and utilities with such roadway improvements (the "roadway Network");
  - xv. design and construction of replacement Utilities and new Utilities servicing the Existing Facilities and, following construction, the Existing Facilities and the New Facilities (the "Utilities Replacement");
  - xvi. design and construction of a new West Garage and associated toll plaza serving the New Terminal B Facilities (the "West Garage"); and
  - xvii. airfield modifications between the New Terminal B Facilities contiguous aircraft ramp and apron area and the adjacent taxiways, as depicted on Exhibit 28E (Temporary Rights of Access).
- 4.6.2 The Lessee is financially and legally responsible for all damage to the Premises, LGA Airport and third-party property resulting from the D&C Work.
- 4.6.3 If the progress of the work slips out of line with the current Project Baseline Schedule by more than 90 days, the Lessee must submit an Alternative Solutions Report which shall include a Recovery Schedule. The intent of the Recovery Schedule is to outline the proposed revisions to the Baseline Schedule required to achieve completion of the Project within the timeframes set forth in the Agreement.
- 4.6.4 If the Lessee determines that any New Facilities Construction Milestone Completion Date is expected to occur after the relevant Guaranteed New Facilities Construction Milestone Completion Date, the Lessee must submit an Alternative Solutions Report, including a Recovery Schedule to the Port Authority for approval. If the Lessee fails to achieve a New Facilities Construction Milestone Completion Date by the relevant Corresponding Guaranteed New Facilities Construction Milestone Date, the Lessee will enforce its rights under the DBC with respect to collecting Delay LDs from the DBJV. The Guaranteed New Facility Construction Milestone Dates are intended to match the Milestone Dates under the DBC.
- 4.6.5 The Lessee requires a Design Notice to Proceed ("NTP") authorizing commencement of the Design Work. Any Design Work completed prior to receiving the Design NTP will be completed at the Lessee's risk. The Port Authority has 15 days to issue the Design NTP once the Lessee has met all the conditions precedent.
- 4.6.6 The Lessee requires authorization from the Port Authority prior to commencing the Construction Work on any Construction Milestone or any Construction Segment. Authorization can take the form of: (i) a Full Construction NTP, in relation to any Construction; or (ii) a Construction Segment NTP, in relation to any Construction Segment. The Port Authority has 15 days to issue the Full Construction NTP or the Construction Segment NTP once the Lessee has met all the conditions precedent.
- 4.6.7 The conditions precedent for the Design NTP, Full Construction NTP or Construction Segment NTP is clearly outlined in the Lease and should not pose a problem for the Contractor. Conditions required to be met are typical of US P3 projects.

## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.6.8 Section 10.5 of the Lease addresses Partial Completion. As this Project will be completed and opened in phases, the Lessee must apply in writing to the Port Authority for a Temporary Certificate of Authorization to Occupy or Use whenever it contemplates any New Facilities Construction Milestone or any Construction Segment being completed and made available for use by Patrons.
- 4.6.9 Following a request from the Lessee for Partial Completion, the Port Authority will issue a Temporary Certificate of Authorization to Occupy or Use when its deems the Lessee has satisfied all of the following conditions with respect to the New Facilities Construction Milestone under consideration:
- i. all equipment and systems will be installed, commissioned and activated for the applicable portion of the Construction Project. The Lessee will only be responsible for installing the basic infrastructure and equipment for the supply of Utilities to the individual concession spaces that will be subleased to Concession Sublessees or Airline Sublessees;
  - ii. show completion of the relevant D&C Work in accordance with the Construction Documents, the Released for Construction Documents and the requirements of the Project Documents, excluding only Punch List Items;
  - iii. receipt of all required Governmental Approvals needed for the normal use, operation, maintenance and to commence tenant fit-out;
  - iv. satisfaction of the conditions set forth in Section 4.3.2.1, 4.3.2.2 and 6.2.2 of the TCAP for any portion of the Construction Project;
  - v. all certifications for the Final Design Documents and all mechanical, electrical, electronics and other systems have been received in accordance with the Project Documents;
  - vi. the Lessee has certified that it has completed the training of personnel that will be performing the Operations and Maintenance Work;
  - vii. compliance with all other aspects of the Project Documents with respect to completion of the D&C Work;
  - viii. submission of, and approval where applicable, of any Submittals required with respect to the relevant portion of the Work;
  - ix. with respect to the New Facilities, submission of all plans, procedures, manuals and reports, including applicable portions of the O&M Manual and other Submittals required for Operations and Maintenance Work;
  - x. obtain insurance policies identified in Article 20 required for the Operations and Maintenance Work and tenant fit-out;
  - xi. the Lessee has prepared and submitted the Punch List in consultation with the Port Authority; and
  - xii. the Lessee has completed any New Improvements or portion of the New Improvements that constitute a Construction Segment that is necessary for the normal use, operation and maintenance of the applicable portion of the Construction Project.
- 4.6.10 The submission and approval process for obtaining a Temporary Certificate of Authorization to Occupy or Use must be initiated by the Lessee not less than 60 days prior to the date the Lessee expects to achieve Partial Completion. Within 30 days of the Lessee providing written notification to the Port Authority that conditions have been met for the achievement of Partial Completion, the Port Authority shall either (i) issue a Temporary Certificate of Authorization to Occupy or Use, or (ii) notify the Lessee in writing of the reasons why conditions for Partial Completion have not been met.



## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.6.11 When the Port Authority issues a Temporary Certificate of Authorization to Occupy or Use for any of the New Improvements, the Lessee shall promptly transfer control of the applicable New Improvement to the Port Authority for permanent operation and maintenance. The Lessee will have no further obligation with respect to the New Improvements, except as required to satisfy the conditions to Final Acceptance and to satisfy its responsibilities during the Warranty Period.
- 4.6.12 For the Port Authority to issue the Certificate of Substantial Completion, the Lessee must demonstrate it has satisfied the following conditions with respect to the entire Construction Project (excluding the Central Hall or New Improvements which have achieved Partial Completion and been transferred to the Port Authority):
- i. completion of all the D&C Work (excluding Punch List Items) including installation, commissioning and activation of all equipment and systems (it being understood that with respect to concession spaces, the Lessee is only required to install the basic infrastructure and equipment for supply of necessary utilities and is not required to install the fit-out of such concession spaces);
  - ii. receipt of certification of all Final Design Documents and all mechanical, electrical, electronics, and other systems; and all inspection reports for the New Facilities;
  - iii. all D&C Work has been certified as complete in accordance with the Project Documents;
  - iv. payment of all associated fees due and owing for all Governmental Approvals required for performing Operations and Maintenance Work at the New Facilities;
  - v. submission of all plans, procedures, manuals and reports, including O&M Manuals, for Operation and Maintenance Work to be performed during the O&M Period to the Port Authority for approval;
  - vi. submission of all Submittals required by the D&C Schedule of Submittals, the O&M Schedule of Submittals, the Requirements and Provisions for Work or the other Project Documents;
  - vii. preparation, submission to and approval of the Punch List in respect of the New Facilities by the Port Authority;
  - viii. obtain and deliver to the Port Authority all insurance policies identified in Article 20 required for the Operations and Maintenance Work; and
  - ix. completion of the necessary training of personnel who will be performing the Operations and Maintenance Work and provided copies of training records and course completion certificates to the Port Authority; and
  - x. any Defects existing during the Warranty Period (the repair and rehabilitation of which is the responsibility of the Lessee) have been rectified to the Port Authority's satisfaction.
- 4.6.13 The Lease includes a separate Certificate of Central Hall Substantial Completion, which will be issued by the Port Authority when the Lessee has met the following conditions for the Central Hall:
- i. completion of all the D&C Work (excluding Punch List Items) for the Central Hall. The Lessee will only be required to install the basic infrastructure and equipment for the supply of necessary utilities for the individual concession spaces that will be subleased to Concession Sublessees and Airline Sublessees;

## 4.0 COMMERCIAL COMMENTARY – LEASE

- ii. all inspection reports for the Central Hall have been made in accordance with the requirements of the Project Documents;
  - iii. all D&C Work with respect to the Central Hall (excluding Punch List Items) have been certified as complete in accordance with the Project Documents;
  - iv. payment of all associated fees due and owing for all Governmental Approvals required for performing Operations and Maintenance Work at the Central Hall;
  - v. all required Submittals have been provided by the Lessee and approved by the Port Authority;
  - vi. the Lessee has prepared the Punch List for the Central Hall in consultation with the Port Authority; and
  - vii. completion of the necessary training of personnel who will be performing the Operations and Maintenance Work at the Central Hall and provided copies of training records and course completion certificates to the Port Authority.
- 4.6.14 For clarity, LEED Silver or LEED Gold certification is not a requirement for Substantial Completion.
- 4.6.15 The submission and approval process for obtaining a Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion must be initiated by the Lessee approximately 90 days prior to the date the Lessee expects to achieve Substantial Completion or Central Hall Substantial Completion. Within 30 days of receipt of the notification, the Port Authority will conduct an inspection of the Construction Project and its components, a review of the Final Design Documents, final Construction Documents, other Submittals and reports, and any other investigation necessary to evaluate whether Substantial Completion has been achieved.
- 4.6.16 Within 30 days of the Lessee providing written notification to the Port Authority that conditions have been met for the achievement of Substantial Completion, the Port Authority shall either (i) issue a Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion, or (ii) notify the Lessee in writing of the reasons why conditions for Substantial Completion or Central Hall Substantial Completion have not been met.
- 4.6.17 In addition to having all the Punch List items completed, the Lessee must satisfy the following conditions prior to obtaining the Certificate of Final Acceptance:
- i. satisfy all conditions for Substantial Completion and Central Hall Substantial Completion;
  - ii. complete all Punch List Items in accordance with the Project Documents;
  - iii. certify that it has acquired and properly stored, or arranged for adequate levels of readily available spare parts, resources and equipment necessary for maintenance of the Premises as identified in the Capital Asset Management Plan for the O&M Period;
  - iv. complete the submission of all D&C Work required by the Project Documents after Substantial Completion or Central Hall Substantial Completion, and obtain Port Authority approvals where required;
  - v. submit a complete set of Record Documents for the entire Construction Project, including 2 sets of As-Built Drawings of the Construction Work in an electronic CADD data file, together with two complete hard copies of engineering reports, engineering analysis, boring logs, survey information, engineering design calculations and O&M Manuals;

## 4.0 COMMERCIAL COMMENTARY – LEASE

- vi. issue copies of any Governmental certifications of design, engineering or construction with respect to the Construction Project to the Port Authority;
  - vii. restore to their original condition any lands provided by the Port Authority for temporary access and other activities not part of the permanent work;
  - viii. complete all landscaping and aesthetic work including lighting (but excluding vegetative ground covering);
  - ix. complete demobilization including the removal of temporary work and equipment used in the performance of the Construction Work;
  - x. certify that no overdue amounts are owing to any Contractor or Supplier;
  - xi. certify that the Premises are free and clear of all Liens or Claims, and deliver to the Port Authority final Lien Waivers from each Contractor with a Contract of \$500,000 or more in value;
  - xii. completion of all obligations of the Lessee associated with Government Approvals applicable to the Construction Work;
  - xiii. satisfy all conditions set forth in the TCAP for any New Facilities Construction Milestone or any Construction Segment that achieved Partial Completion; and
  - xiv. the individual concession spaces in the New Facilities that are intended to be subleased to Concession Sublessees or Airline Sublessees have been fit-out to the extent that they were not completed prior to Substantial Completion or Central Hall Substantial Completion.
- 4.6.18 The submission and approval process for obtaining a Certificate of Final Acceptance must be initiated by the Lessee no more than 60 days prior to the date the Lessee expects to achieve Final Acceptance. Within 30 days of the Lessee providing written notification to the Port Authority that conditions have been met for the achievement of Final Acceptance, the Port Authority shall either (i) issue a Certificate of Final Acceptance, or (ii) notify the Lessee in writing of the reasons why conditions for Final Acceptance have not been met.
- 4.6.19 The Lessee is required to Warranty the entire Construction Project (other than the Central Hall) for a term of one year from the Port Authority's issuance of the Certificate of Substantial Completion. The Lessee will also Warranty the Central Hall for a term of one year from the Port Authority's issuance of the Certificate of Central Hall Substantial Completion. Any D&C Work repaired or replaced during these one-year terms, must be kept under warranty for an additional year following the repair or replacement.
- 4.6.20 Should any New Facilities Construction Milestone or any Construction Segment achieve Partial Completion prior to Substantial Completion, the warranty period will commence on the date the Port Authority issues the Temporary Certificate of Authorization to Occupy or Use.
- 4.6.21 The Lessee will have no Warranty obligations for the New Improvements once the New Improvements have been transferred to the Port Authority. Following Partial Completion of any of the New Improvements, the Lessee will assign the Lessee's construction warranty coverage rights under the DBC to the Port Authority.

## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.6.22 The Lessee is required to comply with the parking supply requirements outlined in Section 32.6 of the New Improvements Design and Construction Requirements. The Lessee and the Port Authority are obligated to develop a mutually agreed upon plan (the “Parking Plan”) prior to the Lease Commencement Date. The Parking Plan will set forth: (i) the projected deficiencies in parking spaces during each phase of the D&C Work; (ii) a detailed description of the Lessee’s plans to supply parking spaces during each phase of the D&C Work; (iii) the Lessee’s strategy to minimize any Excess Parking Deficiency arising in performance of the D&C Work, including customer service alternatives and construction work-arounds; and (iv) any other information reasonably requested by the Port Authority.
- 4.6.23 If an Excess Parking Deficiency is expected in any one particular phase of the D&C Work, the Lessee must notify the Port Authority in writing within 5 Business Days and work with the Port Authority to establish and implement alternative modes of parking or ground transportation. Any increase in costs or mitigation payments payable by the Lessee, or any costs incurred by the Port Authority in connection with the Port Authority exercising step-in rights or in performance of the Lessee’s obligations, shall not constitute Permitted O&M Expenses.
- 4.6.24 It has been confirmed that LGP will be responsible for costs associated with busing patrons to and from Terminal B from Lot 10E in the event of a parking deficiency.

*Conclusion:*

*The LTA is satisfied that the requirements for achieving the NTP milestones, Substantial Completion, Central Hall Substantial Completion, and Final Acceptance are clearly defined and are reasonable. The Notice to Proceed procedure provides a satisfactory staged process allowing both Parties to the Lease to fluently transition through stages of design initiation, beginning of construction and phased achievement of Substantial completion of Terminal B.*

*The duties and obligations of LGP with regard to design and construction works will be passed down to the DBJV and are in-line with US P3 precedent. The requirement to provide a one-year warranty period is typical of projects procured traditionally as well as under the P3 model.*

## 4.7 Article 11 – Operations and Maintenance Work

- 4.7.1 The Operations and Maintenance Work is broken into three periods: the Initial O&M Period, the Phased Construction O&M Period and the O&M Period.
- 4.7.2 The Initial O&M Period commences on the Lease Commencement Date. The Lessee will be responsible to implement and comply with the applicable portion of the Operational Readiness and Transition Plan to ensure timely and orderly transition of the operations and maintenance of the Existing Facilities from the Port Authority to the Lessee.
- 4.7.3 During construction, the Lessee will be responsible for and shall continue performance of all Operations and Maintenance Work during the Phased Construction O&M Period. The Lessee will implement and comply with the applicable portion of the Operational Readiness and Transition Plan to ensure timely and orderly transition of the operations from Existing Facilities to the New Facilities.

## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.7.4 After completion of the Construction Work, the Lessee will be responsible for and shall continue performance of the Operations and Maintenance Work of the New Terminal B during the O&M Period to the expiry of the Term.
- 4.7.5 The general obligations of the Lessee is to carry out the Operations and Maintenance Work within the Premises in a manner in accordance with:
- i. Best Management Practices;
  - ii. the requirements, terms and conditions set forth in the Lease, the Operational Requirements, the Maintenance Requirements and the other Project Documents;
  - iii. all Applicable Laws and Applicable Standards; and
  - iv. the requirements, terms and conditions set forth in all Government Approvals.
- 4.7.6 The Lessee must at all times perform the Operations and Maintenance Work to ensure ongoing compliance with the Airport Performance Measurement Program. The Lessee must also perform the Operations and Maintenance Work to ensure ongoing compliance with the Performance Standards and Measurement Provisions. The Lessee's failure to comply with such requirements entitle the Port Authority to rights and remedies under the Lease and the other Project Documents, including the assessment of financial penalties in accordance with Exhibit 34 and termination for uncured Event of Default. Please refer to Section 14 of this report for a discussion of the financial penalties associated with the Lessee's failure to meet the Performance Standards and Measurement Provisions.
- 4.7.7 Each Calendar Year the Lessee will be responsible to submit an Annual Budget to the Port Authority. This budget is for informational purposes only.
- 4.7.8 The Lessee will give all notices and obtain all determinations required from the FAA, with respect to construction, construction equipment and improvements on the Premises. It will be the Lessee responsibility to install, maintain and operate any obstruction lights on the Premises as required by the FAA, or as directed by the General Manager of LGA Airport, and energize the lights daily as required by the FAA and as directed by the LGA Airport air-traffic control tower.
- 4.7.9 The Lessee will complete Major Maintenance as and when necessary to maintain compliance with the performance measures and standards, and when applicable, the Handback Requirements, including compliance with the Capital Asset Management Plan and the Asset Preservation Schedule.
- 4.7.10 The Lessee will establish and fund a Major Maintenance Reserve Fund that may be used to pay the costs of performance of Major Maintenance. The fund will be established as set forth in the Financing Documents however must remain available to the Port Authority should they elect to self-perform Major Maintenance in accordance with Section 11.10(b)(iii), that is, when determined that the Lessee has failed to complete any part of the Major Maintenance contemplated in the Asset Preservation Schedule.
- 4.7.11 The Major Maintenance Reserve Fund will be used to establish and fund the Handback Reserve Fund. Once the Handback Reserve Fund is established, the Lessee's obligations to fund the Major Maintenance Reserve Fund shall terminate.

## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.7.12 Under the circumstances of termination of the Lease prior to the establishment of the Handback Reserve Fund, including termination due to an Event of Default, the Port Authority's interest in the Major Maintenance Reserve Fund will terminate and the Lessee will direct monies in the Major Maintenance Reserve Fund to be included in Gross Revenues.
- 4.7.13 The Lease allows the Lessee to provide performance security for Major Maintenance Work. Credit Support in the form of one or more standby letters-of-credit will be permitted to credit the Major Maintenance Reserve Fund.
- 4.7.14 The Handback Requirements and process for transferring the facilities back to the Port Authority are clearly outlined in Section 11.12 of the Lease. Three Pre-Handback Inspections are required to be jointly completed by the Lessee and the Port Authority prior to the projected Expiry Date. The inspections are intended for the joint purpose of:
- i. determining and verifying the condition of the Premises and the residual lives of the various Assets; and
  - ii. revising and updating the Capital Asset Management Plan to reflect the Handback Requirements.
- 4.7.15 At a point which is no later than 60 days prior to the date that is 5 years prior to the projected Expiry Date, and no later than 60 days prior to each anniversary of such date, the Port Authority and the Lessee will engage a mutually acceptable independent, nationally-recognized consultant to complete an estimate of the amount required to cover all costs necessary to cause the Premises and the Assets thereof to meet the Handback Requirements at the Expiry Date (the "Handback Amount").
- 4.7.16 The Lessee will establish the Handback Reserve Fund 5 years prior to the project Expiry Date for the sole benefit of the Port Authority. The Handback Reserve Fund shall be at least 115% of the Handback Amount. A standby letter-of-credit, the Handback Performance Security, may be provided by the Lessee and will expire on the second anniversary of the Expiry Date.
- 4.7.17 The Handback Reserve Fund will remain in effect until the earliest of: (i) a determination by the Port Authority that the Lessee's obligations have been satisfied, (ii) determination through the Dispute Resolution Procedure that conditions have been satisfied, or (iii) the second anniversary of the Expiry Date.

### *Conclusions:*

*The LTA believes the O&M Work and Major Maintenance requirements are appropriate and in line with US P3 project precedent.*

*The Major Maintenance Reserve mechanisms are appropriate for this Project. In conjunction with appropriate budgeting and asset management practices the Major Maintenance Reserve Fund funding mechanisms should help ensure timely funding of the reserve ahead of incurring costs associated with Major Maintenance work to meet the Handback Requirements.*

*The processes in place in the years leading up to the Expiry Date provide appropriate inspection, planning and reserving mechanisms to ensure the Handback*



## 4.0 COMMERCIAL COMMENTARY – LEASE

*Requirements are readily achieved. Inspection regimes performed jointly by the Port Authority and the Lessee provide a framework by which the asset will be assessed and required rehabilitation works identified and planned. The inspection regime is also coupled by an independent costing exercise and reserving against the assessed cost to achieve the Handback Requirements. We consider the mechanisms governing Handback to be robust and in line with US P3 precedent.*

### 4.8 **Article 13 – Port Authority and Lessee Changes; Directive Letters; Safety Compliance Orders**

4.8.1 Any Port Authority Change must be delivered to the Lessee in writing with enough detail to enable the Lessee to prepare a Lessee Impact Statement. The Lessee has 30 days to produce the Lessee Impact Statement, unless an extension of time is requested.

4.8.2 The Lessee Impact Statement will include:

- i. identification of any deviation from the Lessee's obligations under the Lease, and any impact to the Project Baseline Schedule, including to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and the scheduled Final Acceptance Date;
- ii. estimation of any increase or decrease of the forecasted costs and revenues in connection to Operations and Maintenance Work;
- iii. identification of any Government Approvals, or amendments, revisions, supplements, waivers or modifications to or exemptions from, required as a result of the Port Authority Change;
- iv. where applicable, any additional land or real property rights which would be required;
- v. description of the scope of work, for any proposed additional or modified work required and an estimation of the cost to carry out such work;
- vi. illustration of any additional financing required, including the terms of such financing; and
- vii. any other supporting documentation reasonably required by the Port Authority.

4.8.3 For clarity, the Lessee's Impact Statement shall not include any projected impacts to cost of operations and maintenance, or revenues derived from the operation, of the Central Hall (including the operation of the AirTrain Station, any hotel accommodations or any alternative uses thereof).

4.8.4 The Lessee Impact Statement will be the basis of negotiation, and will form the terms of the Port Authority Change. Once the terms have been agreed, the Parties will enter into a change order, which will include the scope of the additional or modified Work, and schedule to perform the work (including any adjustment to the Guaranteed New Facilities Construction Milestone Completion Dates, the Substantial Completion Date, the Guaranteed Final Acceptance Date and/or the Long Stop Deadline), changes and modifications to the Project Documents, and compensation and payment terms and the New Improvements Payment and Milestone Schedule or the Central Hall Payment and Milestone Schedule, as applicable.

## 4.0 COMMERCIAL COMMENTARY – LEASE

- 4.8.5 If the Parties are unable to reach an agreement on a Proposed Port Authority Change, the Port Authority has the right to issue a Directive Letter to the Lessee directing the Lessee to proceed with implementing the Port Authority Change. Under these circumstances, the Lessee would be entitled to claim a Delay and/or Compensation Event in accordance with Article 14.
- 4.8.6 The Lessee also has the ability to propose a change in the Work and can do so by issuing a Lessee Change Request to the Port Authority. The Lessee Change Request will include all information outlined in 4.8.2 above as well as the date by which the Lessee requires a decision from the Port Authority.
- 4.8.7 The Port Authority must in good faith consider the Lessee Change Request. In doing so, the Port Authority may propose modifications, approve or reject the Lessee Change Request.
- 4.8.8 Should the Port Authority choose to reject the Lessee Change Request; it is not obliged to give reasons for the rejection. Rejection of the Lessee Change Request is not subject to challenge by the Lessee through the Dispute Resolution Procedures or otherwise.
- 4.8.9 If, however, the Lessee Change Request is submitted in order to implement an Airline Requested Change, the Port Authority cannot withhold their approval, provided that the Lessee can demonstrate that the Lessee Change Request:
- i. will comply with the Lease, the other Project Documents and Applicable Law;
  - ii. is not reasonably expected to result in any adverse impact to aspect of work being performed by the Port Authority or its contractors with respect to the Supporting Projects; and
  - iii. is not reasonably expected to adversely impact public health, welfare, safety, noise concerns, sanitation, good order and the economic and efficient operation of the LGA Airport.

### *Conclusions:*

*The provisions of the Lease in respect of Changes are in line with US P3 precedent and do not represent an onerous risk to Lenders.*

## 4.9 Article 14 – Compensation Events; Delay Events

- 4.9.1 Under the Lease, a Compensation Event is defined as any of the following events or conditions:
- i. failure by the Port Authority to complete, cause to be completed, any work in connection with any Supporting Project by the applicable Supporting Project Milestone, unless it is an act of Force Majeure;
  - ii. the performance of the work at or immediately adjacent the Premises carried out by the Port Authority or its contractors that materially damages or disrupts the Construction Work so as to cause materially and adversely impact the Lessee's cost of performing the Construction Work. Delta and any other Scheduled Aircraft Operator are not considered Port Authority contractors;



#### 4.0 COMMERCIAL COMMENTARY – LEASE

- iii. failure by the Port Authority to respond to any Submittal requiring Port Authority Approval within applicable time periods set forth in the Lease or any other Project Documents;
- iv. failure or delay by the Port Authority to issue a Temporary Certificate of Authorization to Occupy or Use with respect to a New Facilities Construction Milestone or Construction Segment, a Certificate of Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed, if all conditions have been fully satisfied;
- v. any suspension the D&C Work that constitutes a Compensation Event under Section 10.9(b) of the Agreement;
- vi. any Directive Letter issued by the Port Authority pursuant to Section 13.2 (Directive Letters);
- vii. any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially or adversely impacts the Lessee's cost of performing the D&C Work;
- viii. any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially or adversely impacts the Lessee's cost of performing the New Improvements;
- ix. any change to the General Conditions or the Technical Requirements taking effect prior to the Substantial Completion Date that materially or adversely impacts the Lessee's cost of performing the D&C Work;
- x. any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impact the Lessee's performance of the Operations and Maintenance Work in way that increases operating expenditures or necessitates additional capital expenditures (excluding matters related to or in the interest of public health, response to an Emergency or with the intent to bring Operations and Maintenance Work into compliance with Best Management Practices so long as not applied in a discriminatory manner);
- xi. issuance of any injunction, restraining order or other similar legal order by a court that challenges the Port Authority's authority to enter into the Lease whereby the injunction prohibits or enjoins prosecution of the Work for more than 90 consecutive days;
- xii. any failure or delay by the Port Authority to obtain a Port Authority Governmental Approval in accordance with the Project Documents or provide signatures to allow the Lessee to obtain Governmental Approvals;
- xiii. breach by the Port Authority of any material obligation under the Agreement, to the extent the Net Revenue Impact and Net Cost Impact caused by the breach exceeds \$10,000,000 per occurrence;
- xiv. the occurrence of conditions relating to the Environmental Requirements outlined in Section 16.17(b) for which the Lessee is entitled to recover Incremental Environmental Damages;
- xv. the discovery of any Unknown Endangered Species by the Lessee in carrying out the Construction Work;
- xvi. the discovery of any Unknown Archaeological Remains by the Lessee in carrying out the Construction Work;
- xvii. the discovery of any Unknown Facilities by the Lessee in carrying out the Construction Work that causes a Net Cost Impact to the Lessee's performance of the Construction Work, to the extent the Net Cost Impact exceeds \$1,000,000 per occurrence, or when the Net Cost Impact of all previous Compensation Events taken together exceed \$5,000,000 in the aggregate;

## 4.0 COMMERCIAL COMMENTARY – LEASE

- xviii. the discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that causes a Net Cost Impact that exceeds \$1,000,000 per occurrence, or when the Net Cost Impact of all previous occurrences taken together exceed \$5,000,000 in the aggregate;
  - xix. the issuance by the Port Authority of any Qualifying Safety Compliance Order; or
  - xx. any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Laws has, or could reasonably be expected to have, a direct, material and adverse impact on the Lessee's performance of the Work.
- 4.9.2 Assuming the events above do not constitute an event of Force Majeure, the Parties will coordinate in good faith to resume performance relevant to the event as soon as reasonably possible.
- 4.9.3 The procedure to be followed in the event of a Compensation Event is clearly outlined in the Lease and appears to be standard in nature and consistent with similar contracts.
- 4.9.4 The Lessee Damages as outlined in Section 14.1(c) will be the sum of (A) any adverse Net Cost Impact and (B) any adverse Net Revenue Impact for each year that an impact is attributable to the Compensation Event. The damages will be net of all applicable Insurance Proceeds payable to the Lessee, its Contractors or Suppliers.
- 4.9.5 Each year during the Construction Period, the calculation of the portion of Lessee Damages that is attributable to a delay in the issuance of a Temporary Certificate of Authorization to Occupy or Use with respect to one or more New Facilities Construction Milestone will be the sum of:
- i. The aggregate of the applicable per-day amount set out in Section 14.b(4) of the Design-Build Contract for each day of delay. This will account for the liquidated damages which the DBJV is responsible for paying the Lessee; plus
  - ii. The adverse Net Cost Impact with respect to the performance of the D&C Work; minus
  - iii. The amount by which any mitigation measures (if taken) would have reduced the amount of Lessee Damages.
- 4.9.6 If critical the Port Authority disagrees (A) that the Compensation Event claimed has occurred, or; (B) with the Lessee's entitlement or amount of the Lessee Damages claimed, both Parties will commence good faith negotiations to resolve the Dispute within 120 days of the Compensation Event Notice. Should the Dispute not be resolved within 120 days, then either Party may terminate the negotiations and submit the Dispute for resolution under Article 33 (Dispute Resolution Procedure).
- 4.9.7 The Port Authority will pay the Compensation Event Payment either by (i) a direct, lump sum payment payable within 40 days after the final determination, or (ii) only with respect to Lessee Damages calculated for each year after the end of the Construction Period, by one or more adjustments to the Second Additional Rent, or by periodic payments in accordance with a schedule mutually agreed between the Parties or determined in accordance with Section 14.1(c) (Lessee Damages Determination).

## 4.0 COMMERCIAL COMMENTARY – LEASE

4.9.8 Under the Lease, a Delay Event is defined as any of the following events or conditions impacting the Lessee's ability to perform the Work in compliance with the Project Documents, to the extent that such an event cannot be overcome by consumption of available Float:

- i. any Force Majeure Event;
- ii. failure by the Port Authority to complete, or cause to be completed, work in connection with any Supporting Project by the applicable Supporting Project Milestone;
- iii. performance of the work immediately adjacent to the Premises carried out by the Port Authority or any of its contractors (or by Delta in respect of the Other Redevelopments) that materially damages or disrupts the Construction Work causing a material delay to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date or the scheduled Final Acceptance Date set forth in the Project Baseline Schedule;
- iv. failure by the Port Authority to respond to any Submittal requiring Port Authority Approval within applicable time periods set forth in the Lease or any other Project Documents;
- v. failure or delay by the Port Authority to issue a Temporary Certificate of Authorization to Occupy or Use with respect to a New Facilities Construction Milestone or a Construction Segment, a Certificate of Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth in the Lease, if all conditions have been fully satisfied;
- vi. any suspension the D&C Work that constitutes a Compensation Event under Section 10.9(b) of the Agreement;
- vii. any Directive Letter issued by the Port Authority pursuant to Section 13.2 (Directive Letters);
- viii. any Change in Law or Applicable Standard Change taking effect prior to the Substantial Completion Date that materially and adversely impact the Lessee's cost of performing of the D&C Work;
- ix. any change to the General Conditions or the Technical Requirements taking effect prior to the Substantial Completion Date that will materially and adversely impacts the Lessee's cost of performing the D&C Work;
- x. any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impact the Lessee's performance of the Operations and Maintenance Work (excluding matters related to or in the interest of public health, response to an Emergency or with the intent to bring Operations and Maintenance Work into compliance with Best Management Practices so long as not applied in a discriminatory manner);
- xi. any failure or delay by the Port Authority to obtain a Port Authority Governmental Approval in accordance with the Project Documents or provide signatures to allow the Lessee to obtain Governmental Approvals within the specified time period;
- xii. any breach by the Port Authority of any material obligation under the Lease;
- xiii. any issuance of any injunction, restraining order or other similar legal order that challenges the Port Authority's authority to enter into the Lease;
- xiv. the occurrence of conditions relating to the Environmental Requirements outlined in Section 16.17(b) for which the Lessee is entitled to recover Incremental Environmental Damages;
- xv. the discovery of any Unknown Endangered Species by the Lessee in carrying out the Construction Work;

## 4.0 COMMERCIAL COMMENTARY – LEASE

- xvi. the discovery of any Unknown Archaeological Remains by the Lessee in carrying out the Construction Work;
  - xvii. the discovery of any Unknown Facilities by the Lessee in carrying out the Construction Work that adversely impacts the performance of the Construction Work;
  - xviii. the discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that adversely impacts the Lessee's performance of the Construction Work;
  - xix. the issuance by the Port Authority of any Qualifying Safety Compliance Order;
  - xx. the issuance or determination by the Chief Engineer in connection with a Dispute involving a purely technical or engineering matter;
  - xxi. any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Laws has, or could reasonably be expected to have, a direct, material and adverse impact on the Lessee's performance of the Work; or
  - xxii. any Lessee Change Request approved by the Port Authority that implements an Airline Requested Change pursuant to Section 13.3(g).
- 4.9.9 Any of the above events will constitute a Delay Event except to the extent the event is attributable to the negligence or wilful misconduct of a Lessee-Related Entity, or any act or omission by a Lessee-Related Entity in breach of the provisions of the Lease or any other Project Document.
- 4.9.10 The procedure to be followed in the event of a Delay Event is clearly outlined in the Lease and appears to be standard in nature and consistent with similar contracts.
- 4.9.11 If the Parties cannot agree to the extent of the delay incurred or relief from the Lessee obligations under the Agreement, or the Port Authority disagrees that a Delay Event has occurred, or the Lessee is entitled to relief, the Parties will be obligated to submit the matter to the Dispute Resolution Procedure.

### *Conclusions:*

*The provisions of the Lease in respect of Compensation and Delay Events are in line with US P3 precedent and do not represent an onerous risk to Lenders'. One exception is the requirement for the Lessee to continue to pay rent to the Port Authority under an Event of Force Majeure.*

*However, this is mitigated under Section 24.1(b) whereby the Lessee may terminate the Lease if it is prevented from accessing the site due to an Event of Force Majeure for longer than 90 consecutive days which, as a result, prevents it from performing all or a substantial portion of the D&C Work. Lessee would be entitled to a termination payment as calculated under Section 24.2. We consider such circumstances to be unlikely, and thus we do not consider this to represent an onerous risk.*

## 4.10 Article 16 – Environmental, Health & Safety Requirements

- 4.10.1 The Lessee will be responsible for all costs, losses, liabilities, damages and operational requirements incurred with respect to the Environmental Requirements.

## 4.0 COMMERCIAL COMMENTARY – LEASE

4.10.2 For clarity, the Environmental Requirements are defined in the Lease as all requirements under Environmental Law and the Applicable Standards, together with the requirements of the Port Authority outlined in Exhibit 6 (Additional Environmental Requirements) of the Lease, which are applicable to:

- i. the Premises;
- ii. the Work performed by the Lessee, the Contractors or others relating to the Lessee's operations of LGA;
- iii. the occupancy and use of the Premises by the Lessee, the Sub-lessee or others with the Lessee's consent; or
- iv. any Hazardous Material on, in or originating from the Premises;

in each case without regard to any exemption from Applicable Law that the Port Authority may be subject to as a result of its status as a multi-jurisdictional agency.

4.10.3 Excluded from the Lessee's Environmental Liability is the implementation of any Remedial Action or payment of costs associated with the following:

- i. a Hazardous Materials Release occurring or existing outside the Premises and the Temporary Rights of Access on or prior to the Lease Commencement Date;
- ii. Area-Wide Contamination as to which the Port Authority has assumed responsibility for Remedial Action or other Remedial Action undertaken by the Port Authority;
- iii. losses from Third Party Claims relating to Environmental Liability with respect to Hazardous Material present within the Premises or the Temporary Rights of Access on or prior to the Lease Commencement Date, or to the extent caused by negligence of the Port Authority or its contractors;
- iv. fines or penalties imposed by a Governmental Entity with respect to violations of Environmental Law based on facts, circumstances or events existing or occurring prior to the Lease Commencement Date;
- v. any Hazardous Material that migrates onto the Premises or the Temporary Rights of Access from outside the Premises through no fault of the Lessee, or any Occupant to the extent that Remedial Action is required for such Hazardous Materials or the presence of such Hazardous Materials requires alterations in the Work;
- vi. any Environmental Liabilities arising from the presence at Approved Disposal Locations of Pre-Existing Hazardous Materials disposed of by the Lessee in compliance with the requirements of the Lease;
- vii. any Environmental Liabilities related to any additional land required by any Port Authority Change or Directive Letter; and
- viii. claims for removal to the extent attributable to Pre-Existing Hazardous Materials in Excavated Materials arising after such Excavated Materials have been permanently backfilled on the Premises in compliance with the Lease.

4.10.4 The Lessee will be entitled to claim a Compensation Event or a Delay Event has occurred to the extent that, through no fault of their own, the Lessee incurs Incremental Environmental Damages arising from:

- i. Unknown Hazardous Materials that are required to be managed, treated or disposed of by the Lessee under the Lease or Applicable Law;

## 4.0 COMMERCIAL COMMENTARY – LEASE

- ii. in connection with the Construction Work, waste materials handled by the Lessee in accordance with Section 16.4 (Waste Management), Section 16.5 (Dewatering) or Section 16.12(a) (Responsibility for Hazardous Materials during Construction Work) are (a) classified as regulated hazardous wastes under RCRA where the classification was not expressly disclosed or readily apparent from the Available Documents, or (b) require specialized protective equipment under the Health and Safety Plan (“HASP”) for personnel handling of such waste materials beyond that which would have been required under the HASP based on the Known Hazardous Materials;
  - iii. the handling, management, disposal and treatment of any materials required to be performed under Environmental Law by direction from a Governmental Entity that was previously an Excluded Liability;
  - iv. in connection with the Construction Work, the stoppage of Work or modification of Work as directed by the Port Authority under Section 16.12(e)(Area-Wide Remediation);
  - v. actions or omissions of a third party beyond the Lessee’s reasonable control or responsibility;
  - vi. Remedial Action required by the Port Authority to be performed by the Lessee under Section 16.16(d)(Port Authority-Directed Testing and Remediation); or
  - vii. the discovery, management and removal of Tanks or Tank Systems that are Unknown Facilities and require removal in order to perform the Construction Work or are directed to be removed by the Port Authority.
- 4.10.5 None of the provisions discussed will relieve the Lessee of costs and expenses attributable to deviations from the quantities of Known Hazardous Materials, either individually by category or type, without prior approval from the Port Authority. The Lessee can submit, prior to the demolition, excavation or removal of Known Hazardous Materials, documentation confirming that the quantities of Known Hazardous Materials differ in kind, quality or location from the information provided in the Available Documents.
- 4.10.6 Section 16.12(m) of the Lease includes a Conduit Asbestos Containing Material (“ACM”) Cost risk sharing mechanism. The Lessee will provide documentation to the Port Authority comparing the Conduit ACM Costs incurred by the Lessee against the Conduit ACM Allowance, which is \$10,000,000. The determination of the Conduit ACM Costs incurred will be based on a unit cost that is approved by the Port Authority and applied to the amount of Conduit ACM that has been removed. The Port Authority is responsible for any Conduit ACM Costs in excess of the \$10,000,000 allowance. If the full amount of the Conduit ACM Allowance is not used, the excess will first be credited against the Port Authority’s obligations to pay the Lessee Incremental Environmental Damages and any remainder will be credited to other Project Costs for which the Port Authority is required to pay a Net Costs Impact under a Compensation Event. This mechanism effectively caps the Lessee’s exposure to Conduit ACM Costs at \$10,000,000 and shifts the risk of any extra costs to the Port Authority.

### *Conclusions:*

*In our opinion, the provisions of the Lease in respect of Environmental and Health and Safety are appropriate for the nature of this project. Refer to Section 7 of this report for further commentary on the risk associated with the existing site conditions.*



## 4.0 COMMERCIAL COMMENTARY – LEASE

### 4.11 *Article 18 – Lenders’ Right and Remedies: Refinancing*

- 4.11.1 Except as permitted under the Lease, the Lessee cannot mortgage the Lessee’s interest in the Lease in whole or in part, or any portion of the Premises.
- 4.11.2 The Lessee will have the right, at its sole cost and expense, in connection with incurring the (i) initial Lessee Debt under the Financing Documents or (ii) subject to Refinancing Requirements outlined in the Lease, any subsequent Lessee Debt, to grant a Leasehold Mortgage to secure the obligations of the Lessee with respect to the Lessee Debt, provided that the Leasehold Mortgage is not executed during an Event of Default.
- 4.11.3 Under all events, at any one time there cannot be more than 2 Recognized Mortgagees entitled to benefits and protections under the terms of Article 18 (Lender’s Rights and Remedies; Refinancing) of the Lease.
- 4.11.4 The Port Authority will be obliged to deliver a copy of each Event of Default Notice and/or Port Authority Termination Notice sent to the Lessee to the Recognized Mortgagee.
- 4.11.5 Under an Event of Default, the Recognized Mortgagee will have a period of (i) 30 days with respect to any non-payment of Rent, and (ii) 120 days in connection to any other Event of Default, beyond any cure period allowed for in the Lease, to cure or cause to be cured the Event of Default. If the Recognized Mortgagee is working diligently to cure the default but it is determined that the event cannot reasonable be cured within the 120 day time period, then the Port Authority can provide an extension.
- 4.11.6 Should any Recognized Mortgagee be prohibited from curing any Event of Default by any process, stay or injunction issued by any Governmental Entity or pursuant to bankruptcy or insolvency involving the Lessee, then the time periods specified for curing the Event of Default will be extended for the duration of the prohibition.
- 4.11.7 A Recognized Mortgagee does not have the right to assign or transfer the Leasehold Mortgage to any Person other than a Successor Recognized Mortgagee without the consent of the Port Authority.
- 4.11.8 The Recognized Mortgagee may only exercise its Foreclosure Rights (or any contractual or statutory power of sale under Security Documents or an assignment in lieu) and enforce any Security Document in any lawful way, if:
- i. the rights of the Lessee under the Lease may be assigned or transferred to a Qualified Terminal Operator;
  - ii. the Port Authority gives consent to any motion or petition from the Recognized Mortgagee to appoint a receiver;
  - iii. any Person to whom the Lessee’s interests are transferred or assigned to, will enter into an assignment or assumption agreement pursuant to which the Person will have the rights and powers of, and assume the obligations of, the Lessee under the Lease including any unperformed obligations;
  - iv. the Recognized Mortgagee is not permitted to do anything that materially and adversely impacts the Premises, the Operations and Maintenance Work, or is inconsistent with the Lease;

## 4.0 COMMERCIAL COMMENTARY – LEASE

- v. the Qualified Terminal Operator acknowledges and agrees that each Airline Sublease will remain in full force and effect;
- vi. the Qualified Terminal Operator (or its designee or nominee) pays to the Port Authority all amounts outlined in the Statement of Estimated Liabilities which are part-due and payable; and
- vii. the Qualified Terminal Operator has cured, within specified cure periods, all Events of Default under the Lease and in accordance with Section 18.4(a)(vi).

### *Conclusions:*

*In our opinion, the provisions of the Lease in respect of Lenders Rights and Remedies are appropriate for the nature of this project and do not represent an onerous risk to Lenders'. The 120 days period should be sufficient to cure or begin to cure an Event of Default. The provision allowing for an extension to the cure period if remedies are being attempted in good faith provides a level of protection to the Lenders.*

## 4.12 Article 23 – Lessee Events of Default

- 4.12.1 The occurrence of any of the following constitute an Event of Default:
- i. failure to begin Design Work within 60 days of the issuance of the Design NTP;
  - ii. failure to begin Construction Work (i) with respect to the entire Construction Project, within 45 days of issuance of the Full Construction NTP; or (ii) with respect to Construction Segment NTP, within 60 days of the issuance of the applicable Construction Segment NTP;
  - iii. failure to achieve Substantial Completion by the Longstop Deadline;
  - iv. the Lessee abandons, deserts or vacates the Premises or the Construction Site, or discontinues its performance of the Work (for reasons other than Delay Event or action by a Governmental Entity), or after exhausting or abandoning any right of further appeal, is prevented for a period of 60 consecutive days from performing the Work by action of a Governmental Entity having jurisdiction;
  - v. during the Construction Period, the Lessee (i) discontinues performance of the D&C Work for 15 or more consecutive days and (ii) fails to resume such discontinued D&C Work within 30 days following being notified by the Port Authority to resume work;
  - vi. failure to (i) pay Base Rent, First Additional Rent, or Second Additional Rent when due; (ii) pay any other amounts required to be made; or (iii) deposit funds to any reserve or account within the amount or time periods required by the Agreement or any Principal Lessee Document;
  - vii. committing any action deemed to be a false or misleading representation or warranty, and circumstances continue without cure for 30 days;
  - viii. assignment, sublease, transfer, mortgage or encumbrance in contravention of the Agreement of this Agreement, the Lessee's leasehold interest, the Premises or any portion of the same;
  - ix. bankruptcy or insolvency by the Lessee or generally any inability to pay, its debts as they become due;
  - x. failure to discharge a Lien on the Premises as required by the Base Lease and the failure continues without cure for 30 days;



## 4.0 COMMERCIAL COMMENTARY – LEASE

- xi. failure to comply with the provisions of (i) Section 15.7 of the LA (OFAC); (ii) Section 15.1 of the LA (Compliance with Law Generally; Government Approvals) and the Port Authority has reason to opine that such act is likely to cause the loss of the Airport Operating Certificate, and the failure continues without cure for 30 days; or (iii) Section 15.5 of the LA (FAA Grants);
  - xii. failure to obtain, provide or maintain insurance as required by the Agreement;
  - xiii. failure to comply with any written order issued by the Port Authority to suspend, in whole or in part, the D&C Work within 5 days following receipt of such order;
  - xiv. failure to commence or continue the implementation of a Safety Compliance Order or a Directive Letter;
  - xv. failure by the Lessee, its Contractors or Suppliers in any material respect to cooperate with the Office of the Inspector General (“OIG”) or the Integrity Monitor in accordance with Section 19.1 of the LA;
  - xvi. failure to comply with, perform or observe (i) any obligation, covenant, agreement, term or condition in the Agreement or any other Project Document; or (ii) requirements or directives of a final award in a matter submitted to dispute resolution for a period that continues for 30 days.
- 4.12.2 With respect to any of the Events of Default outlined in clauses (i) through (vii), (xi), (xiv), (xv) and (xvii) above, under the occurrence of a Delay Event or Compensation Event, the event shall not be deemed and Event of Default.
- 4.12.3 In the case of an Event of Default (other than under clauses (vii), (ix), (x), (xiv), (xv) and (xvi)), the Lessee is entitled to cure the Event of Default by preparing a remedial plan to set forth the schedule and specific actions to be taken to cure the breach, and where applicable, reduce the likelihood of similar defaults occurring in the future. The Port Authority is required to notify the Lessee within 20 days of receipt of the remedial plan as to whether it is acceptable. A 20 day extension can be taken for review of the remedial plan by the Port Authority on written notification to the Lessee, during which time the Port Authority cannot exercise any of its rights to remedy the Event of Default.
- 4.12.4 Where the Port Authority rejects the remedial plan, both Parties are to meet within the following 5 days with the intent to agree to any necessary modifications to the proposed remedial plan. If no agreement is reached at the end of the 5 day period, then an Event of Default will be deemed to exist and the Port Authority can exercise its rights under the Lease. These rights include, but are not necessarily limited to:
- a. Termination of the Agreement;
  - b. Payment of monies due to any third-party, if the Event of Default is related to Lessee’s failure to do so (Lessee will be required to repay the Port Authority);
  - c. Curing or attempt to cure an outstanding Event of Default, the cost for which will be payable from the Lessee to the Port Authority;
  - d. Seeking payment of outstanding rental obligations from the Lessee, with the right to assess late charges; and

## 4.0 COMMERCIAL COMMENTARY – LEASE

- e. Termination of the Agreement with the right to immediately re-enter the premises at any time, dispossess the Lessee and any other Persons, and remove any and all property and effects from the Premises
- 4.12.5 Alternatively, where the Port Authority accepts the remedial plan, the Lessee will implement the remedial plan. Any failure in implementing the remedial plan will trigger an Event of Default and the Port Authority will have the right to terminate the Agreement.
- 4.12.6 Upon an Event of Default, the Port Authority has the following rights and remedies subject to Lender cure rights under section 18.4 of the Lease:
- i. termination of the Agreement by serving a Termination Notice;
  - ii. in the case of bankruptcy or insolvency by the Lessee, terminate the Agreement effective immediately and without entitlement to any cure period to remedy the default;
  - iii. in the case of failure to make payment to a third party, complete the payment on behalf of the Lessee and request payment from the Lessee plus late charges calculated in accordance with the Section 35.16(a) of the Agreement;
  - iv. subject to the cure rights of the Recognized Mortgagee, cure the Event of Default itself, where all costs associated with curing the Event of Default plus an administration fee of 15% will be payable by the Lessee to the Port Authority;
  - v. seek payment of amounts from the Lessee in accordance with Section 23.4 of the Agreement (Survival of Rental Obligations of the Lessee), as well as any assessment of late charges with respect to overdue amounts;
  - vi. terminate the Lessee's right of possession of the Premises and regain and resume possession of the Premises and any property thereof without further notice; and
  - vii. seek specific performance, injunction or any other remedies at law or in equity, acknowledging that monetary damages are an inadequate remedy for an Event of Default.
- 4.12.7 If the Agreement is terminated by the Port Authority following a Lessee Event of Default, the obligations of the Lessee to pay the Base Rent and First Additional Rent will survive the termination and remain in full force an effect for the full Term had the termination not occurred. Under this condition, the following damages would be payable by the Lessee to the Port Authority:
- i. all Base Rent and First Additional Rent and all other sums that became due and payable under the Agreement prior to the Early Termination Date (except Second Additional Rent) and for which payment was not made prior to the date;
  - ii. the Port Authority's reasonable expenses in connection with the termination of the Agreement and the Port Authority's re-entry upon the Premises; and
  - iii. an amount equal to the then-present value (determined using a discount rate of 7.5%) of all Base Rent and all other sums that would have become payable to the Port Authority under the Agreement through the Expiry Date (other than Second Additional Rent).
- 4.12.8 In addition, should the D&C Work not be completed at the time of the Early Termination Date, the Lessee is obligated to pay, as additional damages, any and all

## 4.0 COMMERCIAL COMMENTARY – LEASE

amounts, costs or expenses of any type paid or incurred by the Port Authority due to failure of the Lessee to complete the D&C Work or any portion thereof. This includes all interest costs, completion and other costs, direct damages, penalties and other Losses.

*Conclusions:*

*In our opinion, the provisions included in the Lease with respect to Lessee Events of Default are appropriate for this project and typical of agreements of this nature and are in line with other similarly procured projects.*

### 4.13 Article 33 – Dispute Resolution Procedures

- 4.13.1 Either Party may refer an issue to be resolved by the Dispute Resolution Process. The Dispute Resolution Procedure follows a typical staged escalating resolution model.
- 4.13.2 A designated senior representative of each Party will use all Reasonable Efforts to resolve the Dispute for a period of not less than 15 days. Successful negotiations at this level will be memorialized in writing, including the execution of change orders as appropriate.
- 4.13.3 If the designated senior representatives are unable to resolve the Dispute, then either Party has the right to request non-binding arbitration. If the Dispute is not resolved within 60 days following initiation of the mediation proceedings, or if both Parties do not agree to mediation, either Party can proceed to Litigation.
- 4.13.4 Any of the time periods specified may be extended by mutual agreement of the Parties.
- 4.13.5 The Port Authority retains the right to take whatever steps necessary and to initiate litigation without first submitting an issue to the Dispute Resolution Procedure if it, in its sole discretion, deems that action is necessary to (i) respond to an Emergency or to safeguard life, health, property or the public welfare, or (ii) to ensure compliance or to avoid or mitigate any non-compliance by the Port Authority with the Basic Lease or any applicable FAA regulations or policies or the Airport Operating Certificate.
- 4.13.6 An exception is any Dispute that involves a technical or engineering matter that is governed by or based upon the Applicable Standards, the Released for Construction Documents, the General Conditions or the Design and Construction Requirements with respect to the D&C Work (including any capital improvements or replacement or renovation work performed by the Lessee on the Premises during the O&M Period). In this circumstance, the Dispute will be determined by the Chief Engineer in their sole discretion and will be conclusive, final and binding.
- 4.13.7 Both Parties will continue to fulfill their obligations under the Lease during the resolution of any Dispute.
- 4.13.8 Section 33.4 of the Lease provides dispute resolution procedures in the case that a dispute arises between the Lessee and Delta due to implementation of Other Redevelopments adjacent to the Premises. Initially Delta and Lessee shall meet and attempt to resolve the disagreement within the first 30 days. The Port Authority may

## 4.0 COMMERCIAL COMMENTARY – LEASE

participate in the initial negotiations at its discretion if it believes its interests as airport operator may be effected. If a resolution is arrived at from those initial negotiations, Lessee will notify the Port Authority in writing, which it will approve or disapprove within 15 days of receipt.

- 4.13.9 Any disagreement between the Lessee and Delta which fails to be resolved in the initial negotiation shall be decided by the Port Authority's Chief Engineer (or his or her designee) in his or her sole discretion, and such decision shall be conclusive, final and binding on the Lessee, Delta and their respective contractors.
- 4.13.10 If the Lessee reasonably believes that a decision of the Chief Engineer directly results in any material impacts to the Project or the Lessee (including cost, revenue and construction schedule or milestones), the Lessee and the Port Authority shall agree to the terms of a change order pursuant to the procedures set forth in Section 13.1 (Port Authority Changes).

*Conclusions:*

*The provisions of the Lease in respect of Changes are in line with US P3 precedent and do not represent an onerous risk to Lenders'.*

*We consider the provisions for dispute settlement in the case of Other Redevelopments to be reasonable. We note that a level playing field is ensured as Delta must also agree to submit to similar terms in any written agreement it makes with the Port Authority, lack of which would nullify Other Redevelopments provisions.*

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

### 5.1 *Design-Build Contract – Introduction*

- 5.1.1 We have been provided with a draft Design-Build Contract (“DBC”) dated April 11, 2016. The parties of the DBC are the Lessee and the DBJV, a joint venture between Skanska USA Building Inc, Skanska USA Civil Northeast Inc. and Walsh Construction Company II, LLC.
- 5.1.2 The current draft of the DBC is based on the Lease draft dated April 11, 2016.
- 5.1.3 The DBC is a lump sum, fixed price, date certain contract for performance of the demolition, design and construction obligations outlined in the Lease, effectively the DB D&C Work.

### 5.2 *Article 2 – Term*

- 5.2.1 The term of the agreement will commence on the DB Contract Effective Date and will continue until all obligations of the DBJV have been fully discharged or the DBC has been terminated.

### 5.3 *Article 3 – Access to and Use of the Premises*

- 5.3.1 The access rights granted to the Lessee in the Lease with respect to the DB D&C Work and Staging Area (including the Permanent Rights of Access and the Temporary Rights of Access) has been passed down to the DBJV. Due to the phasing of the Project, the DBJV’s access rights to the Construction Site are phased. 30 days following Project Milestone #3 and 14 days after each subsequent Project Milestone, the Lessee will grant the DBJV access to the applicable portion of the Construction Site needed to proceed with the Project Baseline Schedule.
- 5.3.2 Under Article 3.2, the Lessee passes down all risks associated with the condition of the Premises to the DBJV. The DBJV is deemed to have satisfied itself as to:
- i. the assets to which it will receive rights, including, where applicable, any existing structures, Utilities or work on, over or under such part of the Premises;
  - ii. the nature of the geotechnical, climatic, hydrological, ecological, environmental and general conditions of each part of the Premises;
  - iii. the access to and through each part of the Premises and the adequacy of the access for the purpose of carrying out its obligations;
  - iv. the precautions, times and methods of working necessary to prevent, or if it is not possible to prevent, to mitigate or reduce nuisance or interference being caused to third parties;
  - v. the scope of the Geotechnical Reports and the Utility Data; and
  - vi. the Hazardous Materials existing at the Premises.

#### *Conclusion:*

*The DBJV’s access rights to the Construction Site will be phased, with the DBJV being provided with access to certain portions of the site as required by the Project*

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

*Baseline Schedule. We consider this appropriate, given the requirement to maintain existing airport operations during construction.*

*The risk of site conditions has been dropped down to the DBJV on a back-to-back basis, which is standard for US P3 projects.*

### 5.4 Article 7 – Utilities; Services to the DBJV

5.4.1 The responsibility and risk of design, construction and relocation of Utilities is passed down to the DBJV, who acknowledges that it has been granted access to the Available Documents showing the approximate location of known Utilities. The DBJV is responsible for verifying the location of the existing Utilities in accordance with the RPW before commencing any DB D&C Work related to Utilities.

5.4.2 LGP is to pay for utilities during construction, funded by the Port Authority by way of a \$33 million allocation, \$2.5 million of which is allocated to construction utilities, for D&C Work not performed by the DB Contractor. While it is customary for the owner to pay for such utilities during construction, we have discussed with the DB Contractor the logic behind this approach, and consider this to be an efficient and manageable method given the nature of the work.

*Conclusion:*

*The approach to the design, construction and relocation of Utilities is appropriately passed down to the DBJV, and is reflective of projects of a similar nature. The approach to funding and paying for utilities during construction appears to be efficient and appropriate for this project. We note no exceptions.*

### 5.5 Article 8 – Submittals; Open Dialogue and Cooperation

5.5.1 The DBJV will be responsible for providing the Lessee with all notices, reports, submissions, and approvals, including the D&C Schedule of Submittals related to the DB D&C Work that are required to be provided by the Lessee to the Port Authority. The DBJV will be required to provide such documents no more than 80% of the time period outlined in the Lease and in any event no later than five Business Days prior to the date that the Submittal is due under the Lease. The Lessee will maintain the responsibility for completing the formal Submittal to the Port Authority. The Port Authority's review process has been dropped down to the DBC from the Lease on a back-to-back basis.

*Conclusion:*

*The provisions for Submittals and the review process have been dropped down to the DBC from the Lease on a back-to-back basis. Where the DBJV is required to provide a Submittal to the Lessee ahead of the Lessee's submittal to the Port Authority, the DBJV is provided with 80% of the time provided to the Lessee under the Lease or, in any event, five fewer business days than the Lessee is provided under the Lease. This provides the Lessee with time to review the Submittal and submit to the Port Authority. We consider this buffer appropriate and in-line with US P3 market precedent.*

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

### 5.6 *Article 9 & 9A – Port Authority Funding & Price and Terms of Payment*

- 5.6.1 Article 9A addresses the Contract Price and Terms of Payment to the DBJV. The Contract Price of \$3,981,650,247 is inclusive of, but not limited to:
- the DB D&C Work required to be funded by the Port Authority as Port Authority Funding; and
  - the funding for the New Improvements through the New Improvements Milestone Payments payable under the PNTP DB Contract.
- 5.6.2 The Lessee will make monthly payments to the DBJV based on the performance of the DB D&C Work and a schedule of payment and values. Monthly payments will be subject to a maximum cumulative drawdown schedule.
- 5.6.3 Under Article 9A.1(b), the DBJV will provide the Lessee with monthly payment requests, including documentation relating to the nature and costs of any PFC Eligible D&C Work, by the fifth day of each month. The Lessee is required to make payment to the DBJV within 30 days following receipt of this requisition, except for payments payable by the Port Authority and a startup fee of \$52,846,026. Further documentation will be required from the DBJV in the preparation, processing and requisition of funds from the Lenders.
- 5.6.4 Under Article 9A.2, a mobilization fee of \$256,893,350 will be payable to the DBJV. Payment of the mobilization fee will be spread over three consecutive monthly payments; the first installment being paid at Financial Close.
- 5.6.5 Article 9 addresses the responsibilities of the Parties with respect to Port Authority Funding. The DBJV is responsible for providing complete and accurate information and data in order for the Lessee and the Port Authority to prepare PFC Applications.
- 5.6.6 In order to receive Port Authority Funding for PFC Eligible Project Costs, the Lessee is required to submit a Disbursement Request to the Port Authority at a frequency not to exceed once a month beginning on the issuance of Design NTP and lasting until three months after Final Acceptance. Article 9.2 of the DBC drops down the responsibility for preparing Disbursement Requests with respect to the DB D&C Work to the DBJV.
- 5.6.7 Under Article 9.4, the DBJV will be responsible for submitting requests to the Developer for Milestone Payments in connection with the New Improvements and the Central Hall following achievement of the milestones. The Lessee will then be responsible for submitting the request to the Port Authority.
- 5.6.8 Under Article 9A.4, the Lessee is required to pay the DBJV any Port Authority Funding or Lessee Damages amounts within five Business Days upon receipt from the Port Authority. Should an aggregate exceeding \$25 million in Port Authority Funding or Lessee Damages payments remain outstanding for a period of six months, the Lessee will be responsible for making such payments to the DBJV within five Business Days regardless of whether the Lessee has received sufficient funds from the Port Authority.



## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

5.6.9 The Lessee retains the right to withhold payment to the DBJV for any amounts it disputes in good faith as not being not due and payable based on the progress of the DB D&C Work. Additionally, the Lessee may withhold an amounts reasonably necessary to protect itself against losses, claims or issues arising from:

- i. failure to cure any DB Work Defect or to pay amounts owing to the Port Authority in that respect;
- ii. any third party claims that the DBJV is required to indemnify the Lessee and has not yet done so (but only to the extent that insurance proceeds are not available);
- iii. any damages to property for which the DBJV is responsible (but only if insurance proceeds are not available);
- iv. liens arising in connection with the DB D&C Work where the DBJV has not discharged or bonded over;
- v. failure to pay any Delay LDs as and when required by the DBC; or
- vi. the occurrence of a Potential DBJV Event of Default or a DBJV Act.

*Conclusion:*

*The DBC is a fixed price contract, paying the DBJV the Contract Price to perform the DB D&C Work. We consider the provisions of Article 9 and Article 9A to be appropriate, with the responsibility to provide documentation and prepare Disbursement Requests appropriately dropped down to the DBJV.*

### 5.7 Article 10 – Design and Construction

5.7.1 The DB D&C Work represents a full drop down of the D&C Work from the Lease except for the D&C Work specifically identified in Exhibit A as being retained by the Lessee.

5.7.2 Exhibit A provides detail on the DB D&C Work, and has been finalized. We have been provided with all of the currently used individual sections of Exhibit A (32 in total labeled as A-1 through A-46, some sections have been deleted without changing the labelling sequence for consistency). We have also been provided access to the document tracking all previous progress in the development of the individual sections. The individual scope documents are as follows:

- A-1: Drawing Set
- A-2: Basis of Design
- A-3: Room Data Sheets
- A-4: Tenant Criteria
- A-6: Program of Spaces
- A-8: FFE & Misc. Operational Activities Div. of Responsibilities
- A-9: Airline / Tenant Movement Plan
- A-10: Retail / Concession Plan
- A-11: Spare Parts and Attic Stock List
- A-12: Allowances
- A-13: Staging / Phasing Plans
- A-14: MEP & Low Voltage Systems Coordination Plan
- A-18: Incremental Turnover
- A-19: Work Rules & Temp Facilities



## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- A-20: Operations Plan
- A-21: LEED Certification
- A-22: Governmental Approvals
- A-23: Utilities
- A-24: Environmental Responsibility
- A-26: Mandatory Staff Positions
- A-27: Mandatory Plans
- A-30: Design Responsibility
- A-31: Warranty Items
- A-33: Responsibility for Roadway Maintenance
- A-34: Notice to Proceed Responsibilities
- A-35: Owner Requirements
- A-36: Operator Participation in Procurement
- A-38: West Chevron Documents
- A-39: Thematics Package
- A-42: Mock-Ups
- A-45: Temporary Partitions
- A-46: Cost Events Concourse Egress Stairs and Glycol System

5.7.3 The development of the Exhibit A documents is now complete. The documents delineate specific scope items that are being retained by the Lessee, including the following items:

- FF&E and tenant fit-out of the leased spaces. Exhibit A-4 describes the condition that the DBJV must provide the leased spaces in. It will be up to the Lessee to communicate this information to prospective tenants.
- Exhibit A-8 outlines the delineation of responsibility for providing FF&E and miscellaneous operating activities between the Lessee, the DBJV and the Port Authority, The scope split is considered to be appropriate.
- Coordinating and facilitating Airline movement from the Existing Terminal B to the New Terminal B Facilities.
- Ensuring that the existing tenants have disconnected and removed equipment so that the spaces will be ready for demolition by the DBJV according to the timeframes in Exhibit A-10.
- Allowances described in Exhibit A-12 for artwork, advertising structures, miscellaneous millwork, seating, public food court tables, garbage and recycling cans, children's play areas, roof terrace fit-out, air traffic control tower communications interface, x-ray screening equipment and FAA reimbursables.
- Exhibit A-20 outlines the delineation of responsibility for providing operational coordination with the Lessee responsible for the operations and management of the Existing Terminal B Facilities and New Terminal B Facilities.
- Achieving LEED O+M Certification and LEED CI Certification for individual tenant fit-outs. The DBJV will be responsible for achieving LEED BD+C Certification.
- Acquiring the Governmental Approvals listed as the Lessee's responsibility in the Governmental Approval responsibility matrix contained in Exhibit A-22. These include concession food and health permits, liquor licenses and aircraft fuel hydrant fueling permits.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- Utility usage charges during construction, including electricity, potable water and sewer.
- Environmental investigation, testing, sampling and evaluation required for continued operation and maintenance of the Existing Terminal B Facilities.
- Removal and disposal of glycol resulting from deicing operations.
- Maintenance of roadways and pedestrian walkways within the O&M boundaries.
- Developing the Project Management and Execution Plan.
- Obtaining Port Authority Approval or addressing Port Authority Comments for non-DB D&C Work.

- 5.7.4 The scope of the DB D&C Work includes, but is not limited to, the following:
- i. the decommissioning and demolition of the Existing Terminal B Facilities;
  - ii. the demolition of P2 Garage, Hangar 1 and frontage roads associated therewith and with the Existing Terminal B Facilities;
  - iii. the decommissioning and demolition of the Central Electrical Substation;
  - iv. the design, construction and demolition of temporary facilities to support passenger services during construction of the New Facilities;
  - v. the design and construction of the New Terminal B Facilities replacing the Existing Terminal B Facilities;
  - vi. the design and construction of the elevated and at-grade pedestrian walkway connection between the New Terminal B Facilities and the new West Garage (the “New Pedestrian Walkway”);
  - vii. the decommissioning and demolition of the Existing CHRP;
  - viii. the design and construction of the New CHRP;
  - ix. the design and construction of the CRWD;
  - x. the design and construction of such portion of the hydrant aircraft fueling infrastructure that will be located within the contiguous aircraft ramp areas included in the New Terminal B Facilities (such portion of the hydrant aircraft fueling infrastructure, together with the New Terminal B Facilities, the New Pedestrian Walkway, the New CHRP and the CRWD, the “New Facilities”);
  - xi. the demolition and removal of the National Grid Gate and Governor Station following National Grid’s decommissioning thereof;<sup>1</sup>
  - xii. the design and construction of the Central Hall;
  - xiii. the fit-out of Building 30 and relocation of Port Authority staff from the Existing Terminal B Facilities to Building 30 (the “Building 30 Fit-Out”);
  - xiv. the design and construction of improvements to the public airport roads and utilities associated with such roadway improvements (the “Roadway Network”);
  - xv. the design and construction of replacement Utilities and new Utilities serving the Existing Facilities and, when constructed, the Existing Facilities and the New Facilities (the “Utilities Replacement”);
  - xvi. the design and construction of a new West Garage and associated toll plaza serving the New Terminal B Facilities (the “West Garage”); and

---

<sup>1</sup> National Grid plans to perform approximately 90% of the work required (the cost of which is excluded from SWJV’s fixed price). National Grid plans to remove all equipment and abandon the underground vaults. There is a possibility that the vaults will need to be removed and the design may change to accommodate the removal, but this is not currently anticipated, and we do not consider such an eventuality to represent a material risk.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- xvii. airfield modifications between the New Terminal B Facilities contiguous aircraft ramp and apron area and the adjacent taxiways (together with the Building 30 Fit-Out, the design and construction of the West Garage and the Roadway Network, and the Utilities Replacement, the “New Improvements”);
- 5.7.5 Under Article 10.1, if any alteration to the Project Baseline Schedule by the DBJV affects the Critical Path, adversely or materially affects the Port Authority’s oversight resources or the work carried out by Port Authority’s separate contractors, the DBJV will not be allowed to adjust the schedule without Port Authority Approval.
- 5.7.6 With respect to Nonconforming Work in association with the DB D&C Work, the DBJV will prepare a Corrective Action Plan for submission to the Lessee (for the Lessee’s submission to the Port Authority). The cost for any Nonconforming Work corrected by the Port Authority will be reimbursed by the DBJV at a cost of 115% of the incurred cost. If the Lessee undertakes the work, the DBJV will be required to reimburse them at 100% of the incurred cost.
- 5.7.7 Under Article 10.3, the DBJV will not commence any DB Design Work until the Lessee issues the DB Design Work NTP, which will be subject to the issuance of the Design NTP from the Port Authority. The DBJV’s obligations for achieving Design NTP are as follows:
- i. Comply with the insurance requirements identified as applying to the DBJV and deliver verification of insurance coverage to satisfy the requirements of Article 20;
  - ii. Develop, deliver and receive Port Authority Approval for the Preliminary Project Baseline Schedule, the Design Plan and the Design Quality Control Plan and provide input to the Lessee’s Project Management and Execution Plan;
  - iii. Satisfy all other requirements of the Contract Documents that are required to be satisfied prior to commencement of DB Design Work;
  - iv. Certify to the Lessee that the DBJV’s representations and warranties remain true and correct in all material respects; and
  - v. Certify to the Lessee that there exists no DBJV Event of Default.
- 5.7.8 Similarly, the DBJV will not commence, permit or initiate DB Construction Work until the Full Construction NTP is issued by the Lessee. Alternatively, the DBJV may elect to request that the Port Authority issue a Construction Segment NTP, allowing the DBJV to commence DB Construction Work in the relevant Construction Segment. The DBJV’s obligations for achieving a Full Construction NTP or Construction Segment NTP are as follows:
- i. Develop, deliver and receive Port Authority Approval for the Released For Construction Documents, the Construction Plan, the Storm Water Pollution Prevention Plan, the Construction Quality Control Plan and the Witness and Hold Point Program;
  - ii. Provide input to the Lessee in developing the Project Plan for Safety Management, the Project Plan for Security Management, the Risk Management Plan, the Environmental Management Plan and the roadway circulation diagrams.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- iii. Provide assistance to facilitate the Lessee's preparation of all plans for performing Operations and Maintenance Work during the Phased Construction O&M Period;
- iv. Obtain and satisfy all DBJV Governmental Approvals required to begin the DB Construction Work;
- v. Satisfy all other requirements of the Contract Documents that are required to be satisfied prior to commencement of the DB Construction Work; and
- vi. Provide the facilities to be provided for the Port Authority's use, as set out in Section 1.12 of the General Conditions, and such facilities (referring to the office space for the Port Authority at the construction site during construction) are operational.

- 5.7.9 The DB Design Work NTP, Construction Segment NTP and Full Construction NTP are to be issued to the DBJV as soon as reasonably practical after the Lessee receiving the NTPs from the Port Authority.
- 5.7.10 Under Article 10.4A, prior to issuance of the Design NTP, the Full Construction NTP or a Construction Segment NTP by the Port Authority, the Lessee has the right to issue one or more limited notices to proceed ("DB LNTP") to authorize the performance of certain activities in preparation for beginning the DB D&C Work.
- 5.7.11 Article 10.8 stipulates that the Warranty for the DB D&C Work with respect to the entire construction project (other than the Central Hall) will be one year from the issuance of the either the Certificate of Substantial Completion or the issuance by the Port Authority of a Temporary Certificate of Authorization to Occupy or Use, or with respect to any portion of the DB D&C Work that is repaired or replaced during the Warranty Period, one year from the repair or replacement date, but the DBJV has no warranty obligations with respect to the New Improvements once turned over to the Port Authority and related warranties have been assigned to the Port Authority.
- 5.7.12 Under Article 10.11, the DBJV is responsible for coordination of the performance of the DB D&C Work including coordination with the Lessee and the Port Authority. Both Parties will cooperate with each other and with other Persons involved in the Construction Project. With respect to the DB D&C Work:
- i. the DBJV will provide reasonable access to DB Work and Staging Areas to the Lessee and the Lenders (when applicable) and any of their respective advisors to monitor construction and develop facility maintenance plans, and access to the Port Authority in accordance with their Oversight rights outlined in the Lease;
  - ii. the DBJV will provide access to any Persons accompanied by the Lessee;
  - iii. the Lessee is entitled to be present for any testing that occurs related to the DB D&C Work and the DBJV will provide the Lessee with prior written notice of such tests; and
  - iv. both Parties will cooperate in providing information for any actions the other Party may reasonably require in connection to the Construction Project.
- 5.7.13 Coordination between the DBJV and the Lessee will be critically important where the DB D&C Work overlaps with terminal operations. The DBJV will work with the Lessee to ensure the interplay between DB D&C Work and the terminal operations

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

are consistent with each other. Further, the DBJV is required to use all Reasonable Efforts to cooperate with the Lessee's start-up and its efforts to bring online completed segments of the DB D&C Work following issuance by the Port Authority of a Temporary Certificate of Occupancy and Use or the Certificate of Substantial Completion. All remaining DB D&C Work required to be completed after a Partial Completion or Substantial Completion must be completed in a manner that minimizes the disruption of LGA airport operations and minimizes interference with the use of the New Terminal B by Patrons.

- 5.7.14 Under Article 10A.2, the Lessee will be entitled to review the DBJV's design at the design development phase to comment on issues related to functionality associated with the operation and maintenance of the facility and aesthetic features in the terminal. The DBJV will reasonably consider the Lessee's comments. However, if the Lessee's comments would extend the Project Baseline Schedule or increase the Contract Price, the changes will only be implemented as a Developer Change.

*Conclusion:*

*We consider the provisions of Article 10 to be appropriate, with the DB D&C Work representing a back-to-back drop down of the Lessee's obligations for the D&C Work under the Lease. The various sections of Exhibit A contain clear delineations of responsibility between the Lessee and DBJV. The responsibilities retained by the Lessee relate to the operation and maintenance of the Existing Terminal B Facilities, providing the FF&E and tenant fit out of the leased spaces and coordinating phasing movement with the Airlines and existing tenants.*

*The requirements to receive a DB Design Work NTP, Full Construction NTP and Construction Segment NTP and to achieve Partial Substantial Completion, Substantial Completion and Final Acceptance have been appropriately dropped down from the Lessee to the DBJV.*

*The Warranty Period provisions are in-line with US P3 market precedent. We consider the one year Warranty Period to be standard and appropriate for a project of this nature. We also note that Lessee will have further recourse in the event of a defect becoming apparent whereby it may make a contract claim subject to a 6 year statute of limitations from Final Acceptance under New York law.*

### 5.8 **Article 12 – DB Subcontractors, Suppliers and Lead Personnel**

- 5.8.1 Any DB Subcontracts let by the DBJV must be assignable to the Lessee in the event of a default by the DBJV.
- 5.8.2 With respect to Subcontracts, the DBJV has the right on written notice to Subcontractor to assign its Subcontract in whole or in part to the Developer, the Port Authority or their designees (including lenders) if Contractor's performance is terminated under the Design-Build Contract for any reason or other circumstances exist under the Design-Build Contract requiring such assignment. Subcontractor is required to cooperate with Contractor as required to effect any such assignment.
- 5.8.3 With respect to Equipment Material Purchase Orders, the DBJV has the right on written notice to Seller to assign a Purchase Order in whole or in part to the

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

Developer or its designee (including Developer's lender) if Developer terminates Buyer's performance under the Design-Build Contract for any reason or other circumstances exist under the Design-Build Contract requiring such assignment. Seller is required cooperate with Buyer as required to effect any such assignment.

- 5.8.4 With respect to Professional Services Agreements, the DBJV has the right on written notice to Consultant to assign this Agreement in whole or in part to Developer, the Port Authority or their designees (including lenders) if Contractor's performance is terminated under the Design-Build Contract for any reason or other circumstances exist under the Design-Build Contract requiring such assignment. Consultant is required to cooperate with Contractor as required to effect any such assignment.

### 5.9 *Article 13 – Port Authority and Developer Changes; Directive Letters; Safety Compliance Orders; DBJV Initiated Enhancements*

- 5.9.1 Article 13 passes down the obligations with respect to Port Authority Changes and/or Directive Letters when applicable to the DB D&C Work. The DBJV's entitlement to additional funds or adjustments to the Project Baseline Schedule will be back-to-back with the rights of the Lessee in the Lease and will be limited to Equivalent Project Relief.
- 5.9.2 Under Article 13.3, if a Change is initiated by the Lessee (a "Lessee Change"), the DBJV will prepare a change order proposal including a Contract Price and Project Baseline Schedule impact analysis. The DBJV will use all Reasonable Efforts to minimize or eliminate the impact to Contract Price or Project Schedule.
- 5.9.3 Should a dispute regarding a Lessee Change occur, the dispute will be relayed to the accelerated DB Dispute Resolution Procedure set out in the DBC or, if required, through the Dispute Resolution Procedure outlined in the Lease.
- 5.9.4 Article 13.3A allows the DBJV to propose a Change to the Lessee. The Lessee can reject a proposed Change under the following circumstances:
- i. the Change may negatively impact Operations and Maintenance Work costs;
  - ii. the Change may impose additional liability on the Lessee; or
  - iii. the Change is otherwise deemed unacceptable by the Lessee under reasonable discretion.

*Conclusion:*

*Article 13 constitutes a pass through of the Change provisions under the Lease with the DBJV's entitlement to additional funds or schedule adjustments limited to the entitlements provided to the Lessee under the Lease.*

### 5.10 *Article 14 – Compensation Events; Delay Events*

- 5.10.1 Articles 14.1 and 14.2 of the DBC drop down the Compensation Events and Delay Events from the Lease as they relate to the DB D&C Work. Under the Equivalent Project Relief provisions outlined in Article 14A, the DBJV's entitlement to relief or compensation following a Compensation Event or Delay Event will be conditional upon the receipt of corresponding relief by the Lessee under the Lease.



## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

*Conclusion:*

*The Compensation Events and Delay Events have been effectively dropped down from the Lease to the DBC.*

### 5.11 Article 14B – Delay and Compensation for Delay; Liquidated Damages

5.11.1 The construction has been broken into the following phases which each have an associated Project Milestone. Should a Project Milestone Date not be achieved, the DBJV will incur Delay LDs associated with the failure to hand over and use that portion of the Project. The New Facilities Construction Milestones are:

1. Project Milestone #1: May 30, 2018; Partial Completion of Concourse B1;
2. Project Milestone #2: August 30, 2018; Partial Completion of Concourse B2;
3. Project Milestone #3: January 6, 2020; Partial Completion of the Headhouse;
4. Project Milestone #4: July 30, 2020; Partial Completion of Concourse A1;
5. Project Milestone #5: December 10, 2021; Partial Completion of Concourse A2.

5.11.2 Additionally, failure to achieve the third, fourth or fifth Project Milestone by the following Project Milestone Default Date will result in a DBJV Event of Default:

- with respect to the first, second or third New Facilities Construction Milestones, the date that is 12 months after New Facilities Construction Milestone Date #3; and
- with respect to the fourth and fifth New Facilities Construction Milestones, the date that is 18 months after the corresponding DB New Facilities Construction Milestone Deadline.

*Conclusion:*

*The inclusion of Delay LDs for delays in achieving New Facilities Construction Milestones will compensate the Lessee for the costs incurred by late completion of the milestones. Please refer to Section 5.17 of this report for the Delay LD amounts.*

### 5.12 Article 23 – DBJV Events of Default

5.12.1 The DB Events of Default outlined in Article 23.1 of the DBC represent a drop down of the Lessee Events of Default from the Lease as they relate to the DB D&C Work. Where the Lease provides the Lessee with a cure period, the cure periods have been dropped down to the DBC with an adequate buffer to ensure that the DBJV is in default of its obligations under the DBC prior to the Lessee defaulting under the Lease.

5.12.2 In addition to the DB Events of Default that have been dropped down from the Lease, the DBC includes the following additional DB Events of Default:

- disposal of a material portion of its assets by the DBJV to the extent that it has a material effect on the DBJV's ability to perform;
- termination by the Port Authority of the Lease due to any act, omission or breach by the DBJV;

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- the DBJV's failure to obtain, provide and maintain any bonds, D&C Guarantees, the D&C Letter of Credit or any other Construction Security as required under the DBC;
- the DBJV's payment obligations to the Lessee exceeds the limitation of liability included in the DBC, except where the DBJV waives such limitation of liability or agrees to an increase;
- failure to achieve any New Facilities Construction Milestone Default Date; and
- failure to achieve Substantial Completion by the DB Long Stop Deadline, which is defined as the date that is 90 days before the Long Stop Deadline

- 5.12.3 Under Article 23.2, where an Event of Default under the DBC triggers a corresponding Event of Default under the Lease, the DBJV and the Lessee will work together to prepare a Remedial Plan for Port Authority approval. If the Port Authority rejects the Remedial Plan, the Port Authority, Lessee and DBJV will meet to agree to any modifications to the proposed plans. If the parties fail to agree to changes within five days, a DBJV Event of Default occur under the DBC.
- 5.12.4 The Lessee will maintain the right to terminate the DBJV should a DBJV Event of Default occur and continue to occur. If termination occurs before the Final Acceptance Date, the Lessee may elect to engage another contractor to complete the DB D&C Work. Under this situation, the DBJV will be required to pay any re-procurement costs incurred by the Lessee as well as any other Direct Losses suffered by the Lessee in connection with the termination and replacement construction arrangements (Article 23.3 of the DBC).
- 5.12.5 If the Lease is terminated by the Port Authority in connection with a DBJV Event of Default, the DBJV will also be required to compensate the Lessee for any losses incurred as a result of termination of the Lease. The compensation amount will include any amounts required to be paid to the Lenders as a result of an event of default occurring under the Financing Documents. Refer to Section 5.18 of this report for an analysis of the potential contractor replacement cost.
- 5.12.6 Should the Lessee elect to cure the breach, the DBJV will be responsible to cover any third party costs associated with curing the breach.
- 5.12.7 In the event the DBC is terminated, the DBJV will no longer be responsible for paying Delay LDs other than those already incurred or remaining unpaid at the time of termination (Article 23.3(v) of the DBC). We note that the DBJV remains liable for potential termination and replacement costs as well as recompense to Lenders should the Lease be terminated, as described above. We consider the likelihood of a termination of the DBC to be very low considering the size, strength and well evidenced technical capabilities of the DBJV parties.
- 5.12.8 The DBJV will be entitled to suspend the DB D&C Work in the case of a Developer Payment Default. However, a failure by the Port Authority to pay amounts owed under the Lease shall not result in a Developer Payment Default. A Developer Payment Default will occur if the Lessee fails to pay any undisputed amount to the DBJV and the failure is not cured within 30 days after written notice from the DBJV.
- 5.12.9 The Lessee must promptly provide the DBJV with a copy of any notice received from (i) the Lenders with respect to defaults or imminent defaults under the Financing



## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

Documents; (ii) the Port Authority with respect to any defaults or imminent defaults under the Project Documents; or (iii) the Port Authority with respect to any matter relating the DB D&C Work or the DBJV.

- 5.12.10 Any remedial action or preventive plan proposed by the DBJV will be subject to approval by the Lenders and, if required under the Lease, by the Port Authority.

*Conclusion:*

*We consider the terms of Article 23 to be appropriate. The Lessee Events of Default under the Lease that relate to the DB D&C Work have been dropped down to the DBJV. Appropriate cure period buffers have been incorporated to ensure that the DBJV is in default under the DBC prior to the Lessee defaulting under the Lease.*

*The Lease imposes a twelve-month long stop date on the Lessee, which is stepped down to the DBJV as a nine-month long stop date on the DBJV, which we consider to be appropriate and in-line with US P3 market precedent.*

### 5.13 Article 24 – Developer DB Events of Default; Other Termination

- 5.13.1 The DBC will terminate at the Lessee's sole option if the Lease is terminated, unless subject to Lenders' rights under the DB Lenders' Direct Agreement or the Port Authority's rights under the DB Direct Agreement.
- 5.13.2 The DBJV will only be entitled to compensation on termination of the DBC on the occurrence of the following:
- i. under a Lease termination, receipt by the Lessee of the corresponding termination payments from the Port Authority, subject to Equivalent Project Relief; or
  - ii. under a termination of the DBC due to a Lessee DB Event of Default, in which the DBJV will be entitled to payment for all DB D&C Work completed through to the date of termination based on the schedule of values plus reasonable demobilization costs and breakage costs including DB Subcontractor and Supplier compensation costs.
- 5.13.3 The Lessee will have the right at any time and for any reason to suspend the DB D&C Work or portion thereof with at least 5 days written notice to the DBJV. Upon ordering the DBJV to resume the DB D&C Work, the Lessee will be obliged to compensate the DBJV for the Suspension (including direct costs, payments to suppliers and subcontractors, and demobilization/remobilization costs). Once this payment is made, the DBJV will continue its performance and, if requested by the Lessee, use its best efforts to accelerate the DB D&C Work, though all reasonable costs and expenses for acceleration will be borne by the Lessee.
- 5.13.4 Should any Lessee Suspension continue for a period of 6 months or more, the DBJV may provide notice to the Lessee and terminate the DBC.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

*Conclusion:*

*The provisions of Article 24 are appropriate and make the compensation that may be received by the DBJV following a termination of the Lease (and subsequent termination of the DBC) contingent upon the receipt of termination payments by the Lessee from the Port Authority.*

### 5.14 **Article 33 – Dispute Resolution Procedures; Port Authority Related Proceedings**

5.14.1 With respect to the Dispute Resolution Procedure outlined in Article 33, it is both Parties intent that any provisions set forth in the Lease with respect to disputes shall be incorporated mutatis mutandis into the DBC, including the right of joinder for disputes under the DBC.

*Conclusion:*

*The terms of Article 33 are appropriate and allow for the Dispute Resolution Procedure outlined in the Lease to be used under the DBC. The DBC makes reference to an expedited Dispute Resolution Procedure, which will be included for disputes related to Partial Completion, Substantial Completion, Final Acceptance, Compensation Events and Delay Events.*

### 5.15 **Design-Build Credit Enhancement Package**

5.15.1 We have engaged with the Sponsor in relation to the proposed credit enhancement provisions to be incorporated into the DBC for the DB D&C Work.

5.15.2 The Credit Enhancement Package can be summarized as follows:

- A D&C Guarantee provided to the Sponsor from each of the DBJV members (parent guarantees to be provided by Skanska AB and The Walsh Group, Ltd.) each in an amount equal to 40% of the Contract Price (the Limit of Liability), and each joint and several with the other guarantees;
- A D&C Letter of Credit in the amount of 6.5% of the Contract Price (inclusive of the cost of the New Improvements) until Partial Completion of the first, second and third New Facilities Construction Milestones, and thereafter stepping down to 3.5% of the Contract Price (inclusive of the cost of the New Improvements);
- Limit of Liability equal to 40% of the initial Contract Price (inclusive of the cost of the New Improvements) until Partial Completion of the first, second and third New Facilities Construction Milestones, and thereafter stepping down to 30% of the initial Contract Price (inclusive of the cost of the New Improvements);
- Liquidated Damages Sub-Cap in the amount of 8%, or \$318,532,020 of the Contract Price for all Delay LD's payable after Substantial Completion. Refer to Table 5.1 below for details.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

5.15.3 The Parent Guarantee provisions are in line with what we would expect on P3 projects. The Limit of Liability based on the current Contract Price is \$1,592,660,099.

*Conclusion:*

*We consider the proposed security package to be within market norms for recently bid projects in the US and provides adequate security for the duration of the Project. The completion of the Headhouse represents a significant “de-risking” of the project in terms of the estimated cost for replacement of the DBJV from that point forward. We therefore consider the “stepping down” of the Limit of Liability and Letter of Credit following completion of the Headhouse to be appropriate. This is supported by the start of revenue generation upon completion of the Headhouse, and should provide further comfort that this should pose no significant risk to the Lenders.*

### 5.16 Liquidated Damages Calculation

5.16.1 For this Project, the projected LDs are calculated as shown in Table 5.1. Note that the Annual Rate is based on a 365-day year.

5.16.2 Liquidated Damages have been calculated to coincide with completion of major the New Facilities Construction Milestones, termed Date of Beneficial Occupancy (“DBO”).

Table 5.1: Liquidated Damages Calculation

Description	Total LDs	Max Delay (Days)	Max LDs
DBO#1: Concourse B1	\$ 58,599	951	\$ 55,727,601
DBO#2: Concourse B2	\$ 26,267	725	\$ 19,043,764
DBO#3: Headhouse	\$ 261,292	365	\$ 95,371,627
DBO#4: Concourse A1	\$ 38,938	548	\$ 21,318,801
DBO#5: Concourse A2	\$ 112,924	484	\$ 54,655,022
Substantial Completion (Pre-Dec 31 2023)	\$ 53,094	176	\$ 9,344,514
Substantial Completion (Post-Dec 31 2023)	\$ 83,757	189	\$ 15,830,039
<b>Total LDs</b>	<b>\$ 634,871</b>		<b>\$ 271,291,369</b>

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- 5.16.3 The above calculations are based on inputs received from the Societe Generale on May 18, 2016, based on their Financial Model. They are subject to adjustment as rates fluctuate prior to bid submission.
- 5.16.4 For each DBO, the LD has been sized to recover lost revenue due to delayed handover of the portion of the new facility. The Substantial Completion LD considers the lost revenue in addition to interest payments on outstanding debt, incremental costs (essentially, Port Authority oversight fees), Senior Debt Principal payment and dividends to the Sponsors.
- 5.16.5 The Delay LDs will be the only damages payable by the DBJV for any delay in achieving Partial Completion by a particular Project Milestone Date, Substantial Completion by the DB Substantial Completion Deadline or Final Acceptance in accordance with the Project Schedule.

### *Conclusions:*

*The liquidated damages calculations adequately compensate the Sponsors for all costs incurred by the late completion of the DBJV, including debt service, lost revenue, equity distributions and Port Authority oversight costs*

## 5.17 Contractor Replacement Scenarios

- 5.17.1 We have undertaken an analysis of the likely premium cost to replace the DBJV at various key points in the Project schedule. We selected scenarios that would not be covered by Supervening Events, and thus not allowing relief under either the Lease or DBC. In order to derive the scenarios as outlined in Table 5.2 below, we have utilized the current capital cost as provided by the DBJV and provided in Section 11 of this report. Appendices C and D to this report provide a summary table as well as the detailed calculations of the premium replacement costs for each scenario.
- 5.17.2 We are of the opinion that the failure of the DBJV, and the replacement of the DBJV due to the failure, will have the most deleterious effect on Lessee and consequently this may be the most significant risk to the Finance Parties. The likelihood of this is greatly reduced by having two major international contractors in joint venture as it is unlikely that both partners to the DBJV would fail at the same time, and in the event of one failing the other would be have the capability to maintain the contract works. However, we have made that assumption as it provides the “worst case scenario”.
- 5.17.3 To consider the ramifications of the potential of DBJV failure we have undertaken an analysis that postulates contractor failure at key milestone events where the effect of the failure, and the knock on effect to the project, is the most injurious to schedule and cost. We have considered events of termination of the DBJV for cause. For our analysis we have firstly examined the direct costs to the Sponsors and then the concomitant schedule delay and resulting cost of schedule extension.
- 5.17.4 We acknowledge that there are various alternate strategies that could potentially mitigate the conditions utilized for our replacement scenarios; however, as we are trying to describe the worst case scenario, we have chosen not to factor such mitigating strategies into our analysis.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- 5.17.5 To provide guidance to the Sponsors and to Finance Parties on the risks associated with these potential failures and contractor replacement events we have undertaken a thorough review of the project schedule from Lease Commencement to Substantial Completion.
- 5.17.6 As the Interim Milestone Dates (the DBO dates) trigger the payment of Liquidated Damages, we selected these points in the construction schedule to complete the sensitivity analysis.
- 5.17.7 Our analysis considers the credit enhancement monies outlined in Section 5.16.2 above to reimburse the Sponsors for financial damages and mitigate their losses.
- 5.17.8 During our analysis we have considered the following cost categories that would increase the eventual construction cost. We consider that these premium costs, over the contract sum, are the additional costs to the Project that need to be tested against the available Credit Enhancement monies:
- The legal, Finance Parties' Technical Advisor and Port Authority costs incurred during the period of contractor default and subsequent replacement.
  - The costs for Sponsor personnel to administer the defaults and to arrange for a replacement contractor.
  - An allowance for design team fees to assess the status of construction and remedial works on site with the affect to prepare a retendering package.
  - The replacement contractor will have to mobilize and establish a presence on the Project. We have conservatively considered that the replacement contractor's general expense and fee will be based on 5% of the general requirements including the DBJV's budget and that the mobilization cost for the new contractor will be 5% of the general expense and fee.
  - We have also considered the general economic conditions of the construction industry and potential inflation of construction costs. We have conservatively attributed a premium of 2.5% per annum of the project cost for the re-tender process.
  - Over and above this 2.5% premium on project cost we have considered that there will be an expectation of increased fee (profit) by the replacement contractor. Given the significant value of the Contract, we have considered that a range of 1% to 5% (depending on the scenario being considered) of the project sum would be an appropriate fee premium.
  - We have considered that prior to the actual incident of default the payable accounts for all trade contractors, suppliers, material men and direct labor are current. We have considered that in the event of default the contractor will not pay (or be unable to pay) a proportion of the payable amounts due in the month of the default. We have considered that there will be a cost to the Sponsors of 70% of the amount of the progress payment(s) to the DBJV for one month previous to the date of default.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- We have considered that all of the design (the documented design utilized to define the Project) and the Consultants all “belong” to the Sponsors. Consequently, there is no premium cost due the event of replacement contractor for design work.
- We have considered that despite the event of default all work prior to the event has been inspected and approved. Consequently, we have considered there would be little or no cost to redo or correct previously constructed work. However, we have allowed 10% of the previous month’s progress payment as a cost to the Sponsors since the last month’s work may not have been thoroughly inspected and approved.

- 5.17.9 We have not assumed any acceleration or schedule mitigation strategies to employed by the replacement contractor, such that our proposed delay durations are to be considered as extending all New Facilities Construction Milestones equally.
- 5.17.10 Following the selection and appointment of the replacement contractor we have considered that there will be an increased level of scrutiny required by the professional consultants for the period of delay as a result of the event. We have considered that a premium for the monthly fees for oversight consultants would be appropriate.
- 5.17.11 Table 5.2 below provides a description of the 6 different scenarios, the resulting delay in weeks, the total replacement premium (both in dollars and as a percentage of the Contract Price) and the value of the residual security.

Table 5.2: DBJV Replacement Scenarios: Analysis of Total Security Package

Replacement Contractor Premium Summary		Total Premium	% of CP	Residual Security (D&C Guarantees, Letter of Credit)
<b>Scenario 1:</b>	DBJV insolvency immediately preceding Financial Close	\$ 164,619,396	4.1%	\$ 1,428,040,702
<b>Scenario 2:</b>	Immediately preceding DBO#1: Completion of Concourse B1	\$ 288,820,995	7.3%	\$ 1,303,839,103
<b>Scenario 3:</b>	Immediately preceding DBO#3: Completion of Headhouse	\$ 203,384,305	5.1%	\$ 1,389,275,794
<b>Scenario 4:</b>	Immediately preceding DBO#4: Completion of Concourse A1	\$ 136,193,294	3.4%	\$ 1,058,301,780
<b>Scenario 5:</b>	Immediately preceding DBO#5: Completion of Concourse A2	\$ 33,220,220	0.8%	\$ 1,161,274,854
<b>Scenario 6:</b>	DBJV insolvency immediately preceding the operations phase	\$ 7,017,254	0.2%	\$ 1,187,477,819

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- 5.17.12 Of the scenarios tested, adequate security coverage exists for replacement of the DBJV in all scenarios tested under the Total security analysis.
- 5.17.13 Table 5.3 below provides a description of the 6 different scenarios, the resulting delay in weeks, the residual Liquid Security Total against the value of debt to be advanced, and the potential additional days of coverage for the Liquidated Damages. Note that in Tables 5.3 and 5.4 the term “Ransom Trades” indicates those subcontractors who may require settlement of outstanding payments in advance of continuing work with the replacement Design-Builder.

Table 5.3: DBJV Replacement Scenarios: Analysis of Liquid Security Package

Liquid Security Analysis		Total Liquid Premium (less Ransom Trades)	% of CP	Residual Liquid Security (Letter of Credit)
<b>Scenario 1:</b>	DBJV insolvency immediately preceding Financial Close	\$ 31,970,396	0.8%	\$ 226,836,870
<b>Scenario 2:</b>	Immediately preceding DBO#1: Completion of Concourse B1	\$ 104,413,995	2.6%	\$ 154,393,271
<b>Scenario 3:</b>	Immediately preceding DBO#3: Completion of Headhouse	\$ 85,711,305	2.2%	\$ 173,095,961
<b>Scenario 4:</b>	Immediately preceding DBO#4: Completion of Concourse A1	\$ 46,087,294	1.2%	\$ 93,270,465
<b>Scenario 5:</b>	Immediately preceding DBO#5: Completion of Concourse A2	\$ 24,400,220	0.6%	\$ 114,957,539
<b>Scenario 6:</b>	DBJV insolvency immediately preceding the operations phase	\$ 6,790,254	0.2%	\$ 132,567,504

- 5.17.14 Of the scenarios tested, the liquid portion of the security package is adequate in all scenarios. Under this circumstance, the Letter of Credit would be available to cover immediate costs required to keep the project going and cover all potential Liquidated Damages.
- 5.17.15 Table 5.4 below provides a description of the 6 different scenarios, the resulting delay in weeks, the residual Liquid Security Total against the value of debt to be advanced, and the potential additional days of coverage for the Liquidated Damages. The calculations for the “Remaining Days of LDs Covered” in the table below do not take into account the thresholds for default, at which point LDs cease to accrue. This analysis is meant to test the adequacy of available liquid security based on a theoretical maximum aggregate level of LDs, regardless of default thresholds. We recognize that not all such aggregate amounts are achievable under the project documents.



**5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS**

Table 5.4: DBJV Replacement Scenarios: Analysis of Liquid Security Package

Liquid Security Analysis		Total Liquid Premium (less Ransom Trades)	% of LoC	Residual Liquid Security (Letter of Credit)	
				Total	Remaining Days of LDs Covered
<b>Scenario 1:</b>	DBJV insolvency immediately preceding Financial Close	\$ 31,970,396	12.4%	\$ 226,836,870	399
<b>Scenario 2:</b>	Immediately preceding DBO#1: Completion of Concourse B1	\$ 104,413,995	40.3%	\$ 154,393,271	280
<b>Scenario 3:</b>	Immediately preceding DBO#3: Completion of Headhouse	\$ 85,711,305	33.1%	\$ 173,095,961	359
<b>Scenario 4:</b>	Immediately preceding DBO#4: Completion of Concourse A1	\$ 46,087,294	33.1%	\$ 93,270,465	419
<b>Scenario 5:</b>	Immediately preceding DBO#5: Completion of Concourse A2	\$ 24,400,220	17.5%	\$ 114,957,539	612
<b>Scenario 6:</b>	DBJV insolvency immediately preceding the operations phase	\$ 6,790,254	4.9%	\$ 132,567,504	1,647

5.17.16 Figure 5.1 below provides a graphical representation of the delay and premium associated with each replacement scenario, over time. A guideline of how to interpret the chart is as follows:

- Each of the 6 Scenarios are represented by a vertical orange line, the height of each corresponding to its respective “Delay Period” measurement displayed on the right-hand side vertical axis of the chart. In this case, Scenario 1 has a delay of 8 weeks, Scenario 2 of 10 weeks, Scenario 3 of 14 weeks, and so on.
- The “Total Premium” is the total cost incurred by LGP in the case of DBJV insolvency for each respective Scenario. This includes both liquid and non-liquid costs such as Termination Procedure Fees, Replacement DBJV mobilization, Remedial Works and Liquidated Damages. The Total Premium is represented by the red curve extending from left to right. The Total Premium applicable to each Scenario is indicated at the intersection (or along the same vertical axis) of the red curve and the orange vertical line representing the respective Scenario. This value is shown along the left-hand side axis of the chart. For example, the Total Premium associated with Scenario 1 is approximately \$166 million, increasing to approximately \$206 million in Scenario 3, and ultimately decreasing to approximately \$7 million in Scenario 6. Further detail is included in the breakdown of the individual Scenarios in Appendix B, with the detail of this value being shown in the “Total Premium” column of the 6 individual Scenario sheets.

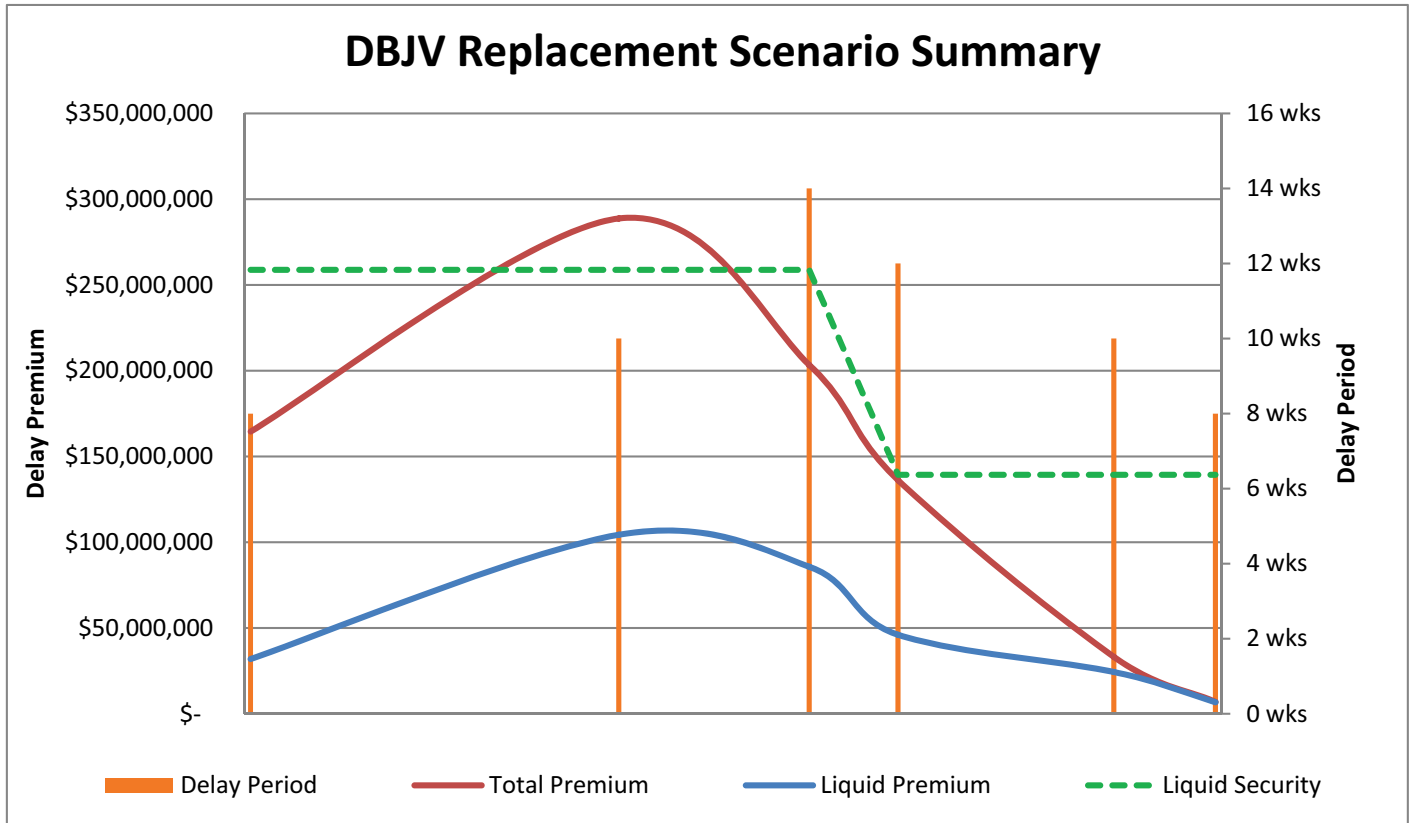


## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- The “Liquid Premium”, represented by the blue curve extending from left to right, includes all liquid costs incurred by LGP in the case of a DBJV insolvency. This includes costs that require immediate payment, such as Termination Procedure Fees, Project Company Costs during the delay period, and Liquidated Damages. These values are indicated at the intersection of the blue curve and the orange vertical line representing the respective Scenario, the value of which is shown along the left-hand side axis of the chart. For example, the Liquid Premium associated with Scenario 1 is approximately \$32 million, increasing to approximately \$86 million in Scenario 3, and decreasing to approximately \$7 million in Scenario 6. Further detail is included in the breakdown of the individual Scenarios in Appendix B, with the detail of this value being shown in the “Liquid Portion” column of the 6 individual Scenario sheets.
- The “Liquid Security” amount, represented by the dashed green line extending from left to right, includes the total liquid security available to LGP, which would be used to cover the “Liquid Premium” amount resulting from each respective Scenario. In this case, the Letter of Credit is the source of all Liquid Security. For the purposes of this analysis, the critical consideration is the position of the dashed green line relative to the blue curve. In this case, the chart demonstrates adequate coverage of liquidity needs for each Scenario, as represented by where the dashed green line intersects the vertical orange line of each Scenario (or along the same vertical axis). For example, the total available Liquid Security provided by the Letter of Credit is approximately \$259 million for each of the first 3 Scenarios, stepping down to approximately \$139 million upon completion of DBO #3, which follows Scenario 3.
- Sample Analysis: Taking Scenario 2 for example, we can see intersecting along the vertical orange line (or along the same vertical axis), a Liquid Premium of approximately \$104 million represented by the blue curve, a Total Premium of approximately \$289 million represented by the red curve, and total available Liquid Security of approximately \$259 million represented by the dashed green line. This indicates that there is sufficient Liquid Security available to cover the required Liquid Premium resulting from this delay Scenario. While not shown on this chart, there is indeed adequate security to cover the Total Premium (both liquid and non-liquid) through the D&C Guarantees and the Letter of Credit combined.

5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

Figure 5.1: DBJV Replacement Scenario Summary



**Conclusions:**

*The scenarios tested represent worst case scenarios in which the DBJV and its parent companies are removed from the project. We consider the available credit enhancement package to be adequate to cover the cost of replacing the DBJV in such a situation.*

*We consider any scenario whereby the DBJV and its parent companies are removed as extremely unlikely. Each of the DBJV members are very capable and experienced contractors with considerable experience in delivering large, complex projects in New York and across the US. Additionally, Skanska have a success track record of delivering projects for the Port Authority. In the unlikely scenario that one member and its parent company failed, we would consider that the remaining company would be capable to continue with the Project.*

*Notwithstanding that, we further opine that should the DBJV be removed, there remains a strong pool of potential replacement contractors to choose from in the US market. In particular, this would include the contractors on the competing teams*

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

*which bid the Project who would also be very familiar with the Project requirements and conditions. Additionally, we note that Turner, Hunt and Austin Commercial have strong airport divisions within their corporate structure.*

### 5.18 Management Services Agreement

- 5.18.1 We have been provided with the Management Services Agreement (“MSA”) dated April 12, 2016. The parties of the MSA will be a wholly owned subsidiary of Vantage Airport Group Ltd., Vantage Airport (New York) Management Ltd. (the “Manager”) and LaGuardia Gateway Partners LLC (the “Lessee”).
- 5.18.2 The Manager will, through the Seconded Manager Personnel and Lessee personnel, provide the day-to-day management of the Lessee’s business and operations to enable the Lessee to perform its obligations under the Lease.
- 5.18.3 The Services to be performed are defined in Schedule A of the MSA include:
- Management Services
    - Access to training, data and systems management
    - General guidance and day to day support
    - Participation in the preparation of Lessee operations materials
    - Corporate services
    - Additional miscellaneous services
  - Terminal Operator Services
    - Organization and management during construction
    - Management of project office
    - Assistance with design development / tendering
    - Assistance with Contract Administration
    - Management of tenants and third-party operators / vendors
    - Operational readiness services
- 5.18.4 On the Lease Commencement Date, the Lessee will pay a one-time, fixed Mobilization Fee to the Manager. This amount is captured in the Mobilization Agreement.
- 5.18.5 For provision of the Services, the Lessee will pay to the Manager a Management Fee comprised of two components:
- a Base Fee
  - a Performance Fee calculated as follows:
    - during the period up to and including final Substantial Completion, the Performance Fee will be calculated separately for each DBO Period and will be equal to 60% of the total Base Fee assuming the actual cash flow available for debt service (“CFADS”) is equal to the projected CFADS. Under a variance situation:
      - if the actual CFADS exceeds the total projected upper threshold CFADS for a given DBO Period, the Performance Fee will increase in a ratio of 2% for every 1% positive variance; or

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- if the actual CFADS is less than the total projected lower threshold CFADS for a given DBO Period, the Performance Fee will decrease in a ratio of 2% for every 1% negative variance; and
  - during the period after the final Substantial Completion and continuing until expiry of the Lease, the Performance Fee will be equal to 110% of the Base Fee provided the actual CFADS in each calendar year equals the projected CFADS. Under a variance situation:
    - if the actual CFADS exceeds the projected upper threshold CFADS for a given calendar year, the Performance Fee will increase in a ratio of 2% for every 1% positive variance; or
    - if the actual CFADS is less than the total projected lower threshold CFADS for a given calendar year, the Performance Fee will decrease in a ratio of 2% for every 1% negative variance.
- 5.18.6 The MSA allows for the Lessee to reduce the Manager's Performance Fee should the Lessee be assessed financial penalties under the Lease on account of the Lessee's failure to achieve the Performance Standards and Response Standards prescribed by the Lease if such failure was caused by the failure of the Manager to perform the Services in accordance with best management practice.
- 5.18.7 During the period from final Substantial Completion to expiry of the Lease, if a variance of 30% or more in the Performance Fee, either positively or negatively, occurs for 3 consecutive calendar years, the Parties commit to enter into good faith negotiations to update expected future projections (including but not limited to CFADS).
- 5.18.8 Additionally, the Lessee shall reimburse the Manager each calendar month for all costs and expenses paid or incurred by the Manager in connection with rendering the Services.
- 5.18.9 Any amounts overpaid to the Manager by the Lessee shall be applied to the following month's payment.
- 5.18.10 The Initial Annual Services Budget forms Schedule E of the MSA and will outline the anticipated costs, expenses and disbursements expected to be incurred by the Lessee with respect to Lessee Operations, including the expenses payable to the Manager during the first Calendar Year. Throughout the Term, the Manager will prepare an updated budget for review and approval by the Lessee's Board of Directors.
- 5.18.11 The Annual Services Budget will allow for employee costs, Management Fees, Travel Costs, Relocation Costs, Housing and Local Living Allowances, Tax Uplift, insurance related to the Lease, costs related to D&C Work, costs to obtain permits and O&M costs. All costs will be categorized as follows:
- Permitted O&M Expenses;
  - PFC Eligible Costs of D&C Work; and
  - Similar categories

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

5.18.12 The MSA can be terminated prior to the end of its term under the following circumstances:

- termination by mutual agreement, subject to approval by the Port Authority;
- Manager Event of Default;
- Lessee Event of Default; or
- upon termination of the Lease

5.18.13 Manager Events of Default are defined in the MSA as follows:

- false or misleading representation or warranty by the Manager that has or will have material adverse effect on the performance of the Services and that is not remedied within 30 days following notice from the Lessee (a 60 day extension may be granted at the Lessee's discretion if the Manager is working diligently to cure the breach);
- failure to perform a material obligation where the failure continues for a period of 30 days following notice from the Lessee (a 60 day extension may be granted at the Lessee's discretion if the Manager is working diligently to cure the breach);
- any action that exceeds the scope of its powers that has materially adverse effects on the Lessee's business or the operations of Terminal B Facilities;
- commencement by the Manager or Guarantor of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts;
- an involuntary case or other proceeding against the Manager or Guarantor seeking liquidation, reorganization or other relief with respect to itself or its debts and such proceeding results in the entry of an order for relief or any such adjudication or appointment, or proceeding remains undismissed, undischarged or unbonded for 50 days;
- an event occurs triggering the Port Authority in accordance with the Lease to consent to, or approve of, a Terminal Manager Change of Control and the Port Authority has not consented to such Terminal Operator Change in Control;
- assignment by the Manager and/or Affiliate under Common Control with Manager of direct equity interest in the Lessee resulting in them holding less than 18% of the direct equity interests in the Lessee, unless either and/or both Skanska and Meridiam own less than 18% of the Lessee's direct equity interests;
- the Parent Company Guarantee becomes invalid and is not replaced within 30 days;
- failure by Guarantor to perform any material obligation under the Parent Guarantee and the failure continues for 30 days following written notice by the Lessee;
- Failure by the Lessee to comply with the Performance Standards and Response Standards caused by the failure of the Manager to perform the Services in Accordance with best management practice, if such failure results in an Event of Default under the Lease and such Event of Default remains uncured at the end of any cure period granted to the Lessee, unless such event of Default is waived by the Port Authority or remedied by the Lessee; or

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- Receipt by the Lessee of written notice from the Port Authority to the effect that either the Manager or Vantage Member no longer qualifies, or is no longer considered by the Port Authority to be, a Qualified Terminal Operator under the Lease, subject to the expiration of any cure periods related thereto.
- 5.18.14 Should a Manager Event of Default continue for a period of 90 days following notice from the Lessee that a default has occurred, the Lessee may (i) terminate the MSA and/or; (ii) exercise any or all remedies available to it at law or in equity including action to recover amounts due and unpaid by the Manager as well as for damages. Total recovery will be limited to the Annual Manager Cap. Refer to Section 5.6 of this report for further details on the Annual Operator Cap.
- 5.18.15 Lessee Events of Default are defined in Manager MSA as follows:
- false or misleading representation or warranty by the Lessee that has or will have a material adverse effect on the performance of the Services in accordance with Best Management Practice and/or results in economic or reputational harm to the Manager, and the Lessee does not remedy the issue within 30 days following notice from the Manager (a 60-day extension may be granted at the Manager discretion of the Lessee is working diligently to cure the breach);
  - failure to perform a material obligation by the Lessee that adversely impacts the Manager ability to perform the Services in accordance with Best Management Practice and/or results in economic harm to the Manager, where the failure continues for a period of 30 days following notice from the Manager (a 60-day extension may be granted at the Manager discretion of the Lessee is working diligently to cure the breach);
  - commencement by the Lessee of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts;
  - an involuntary case or other proceeding against the Lessee seeking liquidation, reorganization or other relief with respect to itself or its debts and such proceeding results in the entry of an order for relief or any such adjudication or appointment, or such proceeding is such proceeding remains undismissed, undischarged or unbonded for 50 days;
  - failure by the Lessee to make any undisputed payment to the Manager where the failure continues for 30 days following notice from the Manager; or
  - termination of the Lease by the Port Authority for an Event of Default not directly caused by the Manager.
- 5.18.16 Should a Lessee Event of Default occur and continue for 30 days the Manager may, subject to any limitations under the Lease, (i) terminate the MSA following thirty (30) business days written notice; and/or (ii) exercise any or all remedies available to it at law or in equity including action to recover amounts incurred by the Manager as a result of the Event of Default as well as the cost associated with exercising their rights.

## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- 5.18.17 Any dispute that cannot be settled through good faith negotiations will be submitted to binding and final arbitration conducted in New York, NY in accordance with the Rules of Arbitration of the International Chamber of Commerce.
- 5.18.18 With respect to disputes related to the payment of monies within 15 days, the MSA includes a provision for a “Fast track Procedure” that allows senior executives from each Party to conduct good faith negotiations.

### *Conclusions:*

*The MSA effectively subcontract the obligations of the business and operations to the Operator. The provisions indicated provide an adequate level of protection to the Sponsors in an Event of Default on the part of the Operator.*

*The Facilities Management requirements are reasonable and achievable for an experienced operator, such as Manager.*

*When reviewed in conjunction with the Life Cycle budget, the O&M budget is adequate and reasonable for a Project of this size and complexity, with this combination of services.*

### **5.19 Project Mobilization Agreement**

- 5.19.1 We have been provided with the Project Mobilization Agreement (“PMA”) provided March 4, 2016. The parties of the PMA are Vantage Airport Group (New York) Management Ltd. (the “Transition Manager”), and LaGuardia Gateway Partners LLC (the “Lessee”).
- 5.19.2 The Lessee and the Transition Manager have agreed to enter into the Mobilization Agreement in respect of the following services, as outlined in Schedule A of the Mobilization Agreement:
- General Services
  - Finance and Accounting
  - Risk Management / Insurance
  - Legal
  - Human Resources
  - Commercial
- 5.19.3 On the Lease Commencement Date, the Lessee will pay a one-time, fixed Mobilization Fee in the amount of \$2,000,000 to the Manager. This amount is captured in the Mobilization Agreement. Terms are provided allowing an extension if necessary.
- 5.19.4 The Mobilization Agreement will commence on March 10, 2016 and terminate on the date that is 3 months after the Lease Commencement Date.
- 5.19.5 The Transition Manager’s limit of liability to the Lessee will not exceed 75% of the Mobilization Fee.
- 5.19.6 The Mobilization Agreement can be terminated under the following circumstances:
- End of term;



## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

- Termination by mutual agreement;
- Withdrawal or expulsion of the Vantage Member(s) under the Teaming; Agreement or LLC Agreement;
- Revocation of the Lessee's status as Preferred Proposer, termination of the procurement under the RFP or withdrawal of Lessee of its proposal;
- Transition Manager Event of Default;
- Termination of the Lease or MSA; or
- Lessee Event of Default;
- If a Suspension continues for more than 6 months, in which case either Party has the right to terminate

### 5.19.7 Transition Manager Events of Default are defined as follows:

- any representation or warranty of the Transition Manager made in this Agreement proves to be materially false or misleading when made, and that has or will have at any time a material adverse effect on the performance of the Services, and the Transition Manager fails to remedy such false or misleading representation or warranty within ten (10) Business Days following written notice by the Lessee, provided that such ten (10) Business Days' day grace period may be extended for an additional twenty (20) Business Days at the Lessee's reasonable discretion if within such grace period a commercially reasonable course of action is designed to cure the breach, and the Transition Manager thereafter diligently pursues that course of action until the breach is cured;
- any failure by the Transition Manager to perform a material obligation under this Agreement and such failure continues for ten (10) Business Days following written notice by the Lessee, provided that such ten (10) Business Days' grace period may be extended for an additional twenty (20) Business Days at the Lessee's reasonable discretion if within such additional period a commercially reasonable course of action is designed to cure the breach and the Transition Manager thereafter diligently pursues that course of action until the breach is cured;
- the Transition Manager takes any action that exceeds the scope of its powers under this Agreement without the prior written consent of the Lessee and such action, either individually or in the aggregate with any other action, has a material adverse effect on the Lessee's business;
- the commencement by the Transition Manager of a voluntary case or other proceeding (without the consent of the Lessee) seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or the Transition Manager makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due or takes any corporate action to authorize any of the foregoing; or
- an involuntary case or other proceeding is commenced against the Transition Manager seeking liquidation, reorganization or other relief with



## 5.0 COMMERCIAL COMMENTARY – ANCILLARY DOCUMENTS

respect to it or its debts under any bankruptcy, insolvency or similar law or seeking the appoint of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and (i) that results in the entry of an order for relief or any such adjudication or appointment or (ii) that remains undismissed, undischarged or unbonded for a period of thirty (30) Business Days.

### *Conclusions:*

*We consider the Mobilization Agreement to be appropriate for the circumstances of this project and will serve to create a smooth transition process for the Manager through the Lease Commencement process.*

### 5.20 **Service Management Credit Enhancement Package**

- 5.20.1 The Manager must deliver a Parent Guaranty from Vantage that guarantees the Manager's performance and payment obligations.
- 5.20.2 The maximum aggregate liability of the Manager to the Lessee and any Lessee Indemnities under or in connection to the Agreement is limited to a maximum annual amount. (the "Annual Manager Cap"), which is calculated as follows:
- for Calendar Years preceding and including the Year of Substantial Completion, will be equal to 75% of the then-current annual Base Fee; or
  - for Calendar Years following the Year of Substantial Completion, will be equal to the sum of (A) the then-current annual Base Fee and (B) the Allocable Performance Fees for the prior three calendar years.
- 5.20.3 Allocable Performance Fees shall equal (i) 18% of any Performance Fees paid to the Manager during the prior 3 calendar years allocable to the timeframe occurring prior to and including the date of final Substantial Completion plus, (ii) 20% of all Performances Fees paid to the Manager during the three calendar years allocable to the timeframe occurring after the date of final Substantial Completion.

*NOTE: Manager is not going to have complete control over all scope, so will have necessarily less liability than were they to be responsible for more services.*

### *Conclusions:*

*We consider the credit enhancement package to be appropriate considering the nature of the project and should be adequate to cover the any losses associated with non-performance by the Manager.*

## 6.0 REGULATORY APPROVALS

### 6.1 *Regulatory Approvals*

- 6.1.1 The Lessee is responsible for obtaining and maintaining all Governmental Approvals required in connection with the performance of the Work, including modifications to the Premises, and with respect to the Lessee's operations on the Premises.
- 6.1.2 Section 1.21 of the Requirements and Provisions for work lists the following major Government Approval that are required under the Lease to be obtained by the Lessee:
- New York State Department of Environmental Conservation State Pollutant Discharge Elimination System ("SPDES"), General Permit for Stormwater discharges from construction activity
  - New York State Department of Environmental Conservation Stormwater Pollution Prevention Plan ("SWPPP")
  - New York State Department of Environmental Conservation State Air Permit
  - New York City Department of Environmental Protection Drainage, Sanitary and Water Design
  - New York City Department of Environmental Protection Backflow Preventer Permit
  - New York City Department of Transportation Roadway/ Sidewalk Permit
  - New York City Department of Building Cranes and Derricks Temporary Certificate of Approvals/ Operations
  - Fire Department of New York Approval
  - New York State Department of Transportation approval of design and maintenance of traffic plans
  - New York State Department of Transportation permits for relocation and shifting of access ramps to and from Grand Central Parkway
  - New York State Department of Transportation ("NYSDOT") Permits and Approvals
    - NYSDOT Highway Work Permit (Non-Utility and Utility Highway Work Permits)
    - NYSDOT Regional Review – for work adjacent to or potentially affecting NYSDOT ROW, property or infrastructure
  - New York City Department of Transportation ("NYCDOT") Permits and Approvals
    - NYCDOT Queens Borough Commissioners Office: Overall notification and coordination
    - NYCDOT Office of Construction Mitigation and Coordination ("OCMC") Highways Permit
    - NYCDOT OCMC Streets Stipulations and Permits:
      - Occupancy of Roadway as Stipulated
      - Occupancy of Sidewalk as Stipulated
      - Individual Construction Activity Permits, as needed
  - New York City Department of Parks and Recreation ("NYCDPR") and New York State Department of Agriculture and Markets ("NYSDAM") Permits and Approvals
    - NYCDPR Restitution Agreement for removal of trees (planting of new trees or payment in lieu)
    - NYCDPR Forestry Permit

## 6.0 REGULATORY APPROVALS

- NYCDPR Construction Permit
  - New York City Transit (“NYCT”) Coordination and Approvals
    - Review & approval of bus route modifications and designated bus stop relocations
  - New York City Department of Environmental Protection (“NYCDEP”):
    - Review & Approval of any work adjacent to or potentially interfering with NYCDEP infrastructure
- 6.1.3 We understand that LGP intends to pass down the obligation to obtain and maintain the above permits to the DBJV, and it has been made clear through our ongoing discussions with LGP that they are aware of their responsibilities with respect to the above.
- 6.1.4 We have been informed that all permits that are confirmed as required prior to construction are in progress, and that there is no evident risk in obtaining any of the aforementioned approvals.
- 6.1.5 Certain approvals listed above are considered “as needed”. For example, the NYSDAM approval required for the planting of new trees will not be required until such time as planting occurs. As planting will occur late in the project, such permits are not in progress at present, however the process for obtaining them is understood and is considered in the construction schedule.
- 6.1.6 In addition, LGP’s Alternative Design (“AC11”) will be subject to the Port Authority TAA process.
- 6.1.7 As indicated in our pre-bid report, there was indication that a Coast Guard approval would be required prior to the Lease Commencement Date. This requirement related to a previous concept that involved the potential for passenger ferry service to and from LaGuardia. This is no longer being contemplated, and hence the approval is no longer needed.
- 6.1.8 The Port Authority received a Finding of No Significant Impact / Record of Decision (FONSI/ROD) for Stage 1 design in December 2014. Design changes prompted the Port Authority to request a Written Reevaluation (WR). The FAA provided approval in compliance with NEPA and issued a FONSI/ROD for the WR on December 30, 2015. The Lessee must comply with the terms contained therein.

### 6.2 *Regulatory Approvals Approach*

- 6.2.1 We have been in discussions with LGP during which they have provided detail regarding the approach to obtaining necessarily approvals and progress updates.
- 6.2.2 The DBJV have developed a detailed Permit Responsibility Matrix which delineates the responsibilities for applying for and obtaining permits between the Port Authority, the Sponsors and the DBJV. Additionally, it indicates what permits will be passed down to specific subcontractors.

## 6.0 REGULATORY APPROVALS

- 6.2.3 The DBJV has dedicated staff to manage the process for obtaining permits and approvals to ensure all documentation is being prepared, received and collated as and when required to meet the application dates set out in the Project Schedule.
- 6.2.4 The DBJV has identified the delay by the Port Authority (“TCAP”) and third party agencies or utilities with respect to obtaining approvals or permits as a moderate-high risk. To address this risk, LGP and the Port Authority have been managing a formal facilitated partnering process.
- 6.2.5 The DBJV has been working with the applicable regulatory agencies in an attempt to have dedicated agency personnel assigned to the project, in an effort to streamline the approvals process. Although this has not yet been accomplished, we consider it a positive indication of the proactive approach undertaken.
- 6.2.6 With respect to permits, the DBJV has allowed adequate lead-in time in the schedule for application and review time for permits. In the past, the DBJV has had success with establishing field offices for utilities and agencies to co-locate accommodating expedited approval processes. The DBJV are prepared to adopt this approach for Terminal B Project should the need arise.

### *Conclusion:*

*The DBJV is fully aware of its responsibility regarding the permit application process, including the permits it is required to obtain and familiarizing itself with the relevant permitting agencies. The timelines for the application and permitting process has been taken into account within the DBJV’s schedule.*

*We do not anticipate that the permits to be acquired by the DBJV should cause significant difficulty to the experienced DBJV team members who have experience in delivering significant projects in the NYC area and for the PANYNJ which had similar permitting requirements.*

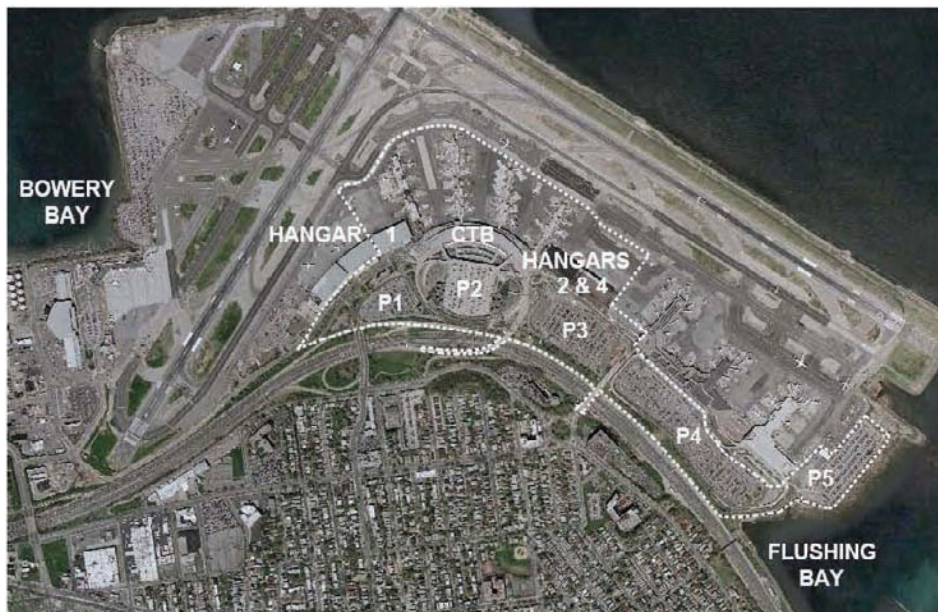
*We take further comfort in the fact that the successful delivery of the project is mutually beneficial to both LGP, the City, the State, and the residents and visitors of New York. This, coupled with the fact that the LaGuardia Redevelopment is a high-profile undertaking included in the Governor’s Master Plan, indicates the strong political and popular will to make the project a success. We believe that significant motivation is in place for LGP to procure, and the approving agencies to approve, all required approvals in a timely manner.*

## 7.0 SITE CONDITIONS

### 7.1 *Site Description*

- 7.1.1 The existing LaGuardia Airport sits on a 680-acre site adjacent to Flushing and Bowery Bays in the New York City Borough of Queens. Accommodated within the existing site are four passenger terminals, two major runways, the air traffic control tower, three hangars as well as associated parking.
- 7.1.2 The Lessee will be redeveloping Terminal B, in addition to support facilities such as CHRP, CRWD and parking garages, within the existing brownfield site.
- 7.1.3 The Lessee will accept the Site on an “as-is” basis. Exhibit 5 of the Lessee Agreement lists all background reports provided to the Lessee and these documents comprise the disclosed information included in the Lease.
- 7.1.4 As shown in Figure 7.1 below, the Program area measures approximately 140 acres and extends from the taxiway system to the airport boundary along the Grand Central Parkway (“GCP”). It includes the area of the existing Terminal B airside and landside areas, as well as the footprints and aprons of Hangar 1 and Parking Lots 1, 2, 3, and 4. We note that Hangars 2 and 4 shown in Figure 7.1 have now been demolished.

Figure 7.1: Site Plan 1



### 7.2 *Background Reports*

- 7.2.1 Exhibit 5 of the Lease outlines the Disclosed Environmental Reports. As the mandate of this report was a high-level review of the project and potential risks, we have reviewed a sample of these reports.

## 7.0 SITE CONDITIONS

### **Asbestos Inspection Report, CTB Buildings 75 & 89, April 22, 2013; and Asbestos Inspection Report, CTB Concourses (Buildings 76-80 & 88), January 31, 2014**

- 7.2.2 Cardno ATC (“ATC”) was engaged by the Port Authority of New York and New Jersey to complete a visual inspection of Terminal B Buildings 75 and 89. PANYNYJ identified areas that did not require visual inspection as these areas were reportedly abated.
- 7.2.3 The investigatory methodologies of ATC included review of historical asbestos survey documents, review of asbestos abatement contracts and visual observations, identifications and quantifications of suspected asbestos containing materials (“ACM”).
- 7.2.4 ATC reports that they visually inspected:
- 85% of the Basement;
  - 5% of the First Floor;
  - 5% of the Second Floor;
  - 15% of the Third Floor;
  - 5% of the Intermediate Floor;
  - 5% of the Fourth Floor; and
  - 100% of the CHRP.
- 7.2.5 ACM were discovered primarily in the fireproofing (27,450 SF), pipe and pipe fitting insulation (15,000 LF), floors and mastic, and ceiling tiles and plaster. In addition, 25,300 SF of fireproofing and 6,750 SF of vapour barrier in Terminal B Main Building, considered presumed asbestos containing materials (“PACM”), was identified.
- 7.2.6 ATC completed secondary testing from October 16, 2013 through November 21, 2013 in areas of the building that were inaccessible or occupied during the original testing.
- 7.2.7 During this supplemental investigation, ATC inspected:
- 90% of Concourse A;
  - 85% of Concourse B;
  - 90% of Concourse C; and
  - 80% of Concourse D.
- 7.2.8 The principal types of ACM observed in Terminal B Concourses are fireproofing (6,700 SF) and pipe and pipe fitting insulation (17,000 LF). In addition, 8,800 LF of pipe fitting insulation, 27,500 SF of ceramic wall and floor tile mastic/grout and 6,500 SF of vapour barrier in Terminal B Concourses, considered presumed asbestos containing materials (“PACM”), was identified.
- 7.2.9 ATC concluded that all ACM and PACM identified in their report will require removal and disposal prior to building demolition.



## 7.0 SITE CONDITIONS

- 7.2.10 The DBJV has identified the risk of encountering unforeseen hazardous materials in their Risk Register as having the potential to impact cost and schedule. To mitigate the impact of this risk, the DBJV intends to keep an environmental engineer on retainer allowing them to act quickly in the event of uncovering unforeseen hazardous materials. Additionally, protocols have been established in the Environmental Management Plan outlining the procedures to be followed with respect to removal and transport off site of these materials.

*Conclusions:*

*The investigation and final report completed by ATC appears to be thorough and comprehensive enough to provide the Contractor with sufficient information in which to provide adequate time and money to complete the required removal and disposal work. In addition, we understand from the Sponsor that this scope of work will be subcontracted out to a contractor specializing in abatement work. We do not see this as a significant risk to the Lessee or the Lenders.*

*Further, by identifying this as a potential risk upfront, the DBJV and all subcontractors will have the information available to act quickly and appropriately in the event of uncovering unforeseen hazardous materials.*

**Soil and Groundwater Environmental Condition Survey, April 2013; and Soil and Groundwater Environmental Condition Survey Supplemental Data, August 2013**

- 7.2.11 The PANYNJ Engineering/Architecture Design Division Environmental Engineering Unit completed a comprehensive survey of the soil and groundwater conditions for the LGA Terminal B Replacement Project in April 2013. In August of 2013, a supplement report was produced.
- 7.2.12 The two reports present a highly detailed depiction of the current state of the Site. Data included in the reports include:
- Soil and groundwater sample location plan;
  - Areas of environmental concern;
  - Groundwater sampling results;
  - Soil sampling results;
  - Soil boring and well construction logs;
  - Groundwater Samplings Logs;
  - Well Gauging Data; and
  - Environmental Data Resources (“EDR”) Report.
- 7.2.13 The EDR Report referenced above consisted of a search of the available environmental records by Environmental Data Resources, Inc.
- 7.2.14 The areas of environmental concern identified in the reports are:
1. Hangar 4 American Airlines: record of spills
  2. Hangar 2 American Airlines: record of a spill
  3. Hangar 4 American Airlines: record of a spill and visual evidence of UST
  4. Former Amoco Station: record of a spill

## 7.0 SITE CONDITIONS

### 5. Hangar 2 United Airlines: visual evidence of UST

- 7.2.15 The EDR Report considers the areas of concern listed above to be leaking underground storage tank (“UST”) incidents or leaking aboveground storage tanks. The causes of these incidents are tank test failures, tank failures or tank overfills. We note that LGP will be inheriting 26 tanks, 18 above ground and 8 underground (USTs). Most of the USTs are relatively young, and the two older tanks (installed in 1963) have been regularly tested and have not exhibited evidence of leakage. There are protections in the Lease related to contaminated soils encountered during removal of the tanks.
- 7.2.16 In addition, EDR completed a search of the neighboring properties. This search identified additional leaking tanks on record which have the potential to have contaminated the site.
- 7.2.17 No final conclusions or recommendations are provided in the reports. The documents to solely be for information purposes only.

#### *Conclusions:*

*The survey and final report completed by the PANYNJ Engineering/Architecture Design Division Environmental Engineering Unit appears to be thorough, detailed and comprehensive enough to provide the Contractor with sufficient information to prepare an appropriate construction strategy and in which to allocate adequate time and money into their bid to complete any remediation work. In addition, we note that any undisclosed contamination will trigger an Event of Compensation and/or Delay, in turn providing a layer of protection to the Lessee and therefore the Lenders. We do not see this as a significant risk to the Lessee or the Lenders at this time.*

## 7.3 Geotechnical Study

- 7.3.1 The Port Authority completed a geotechnical investigation on the LGA lands in 2010. The findings have been presented in a report dated August 6, 2010 and provided to the proponents as background documents in the Lease.
- 7.3.2 The scope of the Port Authority’s investigation was to:
- compile and evaluate the existing subsurface information throughout the potential project areas of the facility;
  - identify where additional geotechnical data will be required; and
  - provide preliminary design criteria and foundation concepts consistent with pre-Stage I planning of the project design.
- 7.3.3 In addition to the review of existing geotechnical data, a limited subsurface investigation was conducted. Furthermore, the entire airport is constructed on similar soil strata allowing laboratory test data from borings in other areas of the airport to be used to develop the general soil properties characterization of the subsurface strata.



## 7.0 SITE CONDITIONS

7.3.4 The majority of the existing airport is constructed on reclaimed land from the adjacent bay which was filled with incinerated refuse and miscellaneous fill. The table below summarizes the soil stratification at the LGA site.

Table 7.1: Soil Stratification

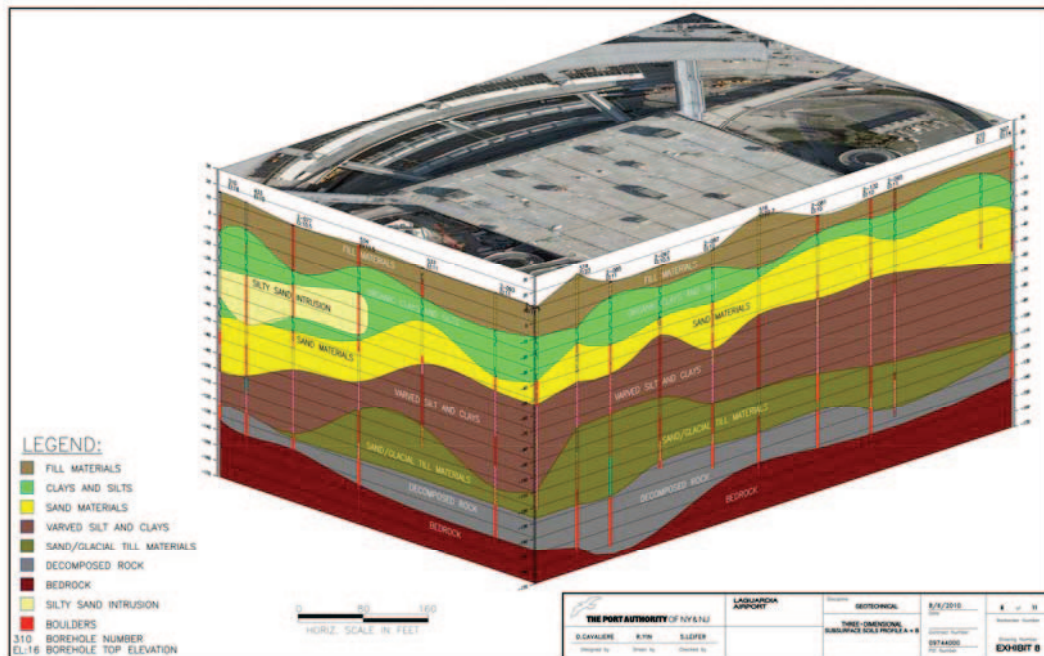
Stratum Layer	Category	Composition	Thickness Range
Stratum A	Fill Materials	Coarse to fine sand, crushed rock & gravel, cinders, concrete, brick, glass, wood and other forms of debris	10-30 ft
Stratum B	Organic Clays & Silts	Soft organic clay and silt materials <sup>(1)</sup>	20-30 ft; upto 50 ft
Stratum C	Sand Materials	Coarse to fine sand of medium density	10-20 ft
Stratum D	Varved Silt & Clays	Varved silt & clay material – stiff and over consolidated becoming softer with depth	50-60 ft
Stratum E	Sand/ Glacial Till Materials	Glacial till consisting primarily of sand, traces of inorganic silt, gravel, boulders & cobbles	5-15 ft
Stratum F	Decomposed Rock	Very dense mixture of sand, silt & gravel	10-45 ft
Stratum G	Bedrock	Sound quality gneiss	150-190 ft

*(1) This layer is still suspected to have significant consolidation potential at certain locations*

7.3.5 The report indicates a significant presence of boulders in Stratum C and Stratum E. The presence of boulders in Stratum C could present an issue when installing pile foundations. Figure 7.2 below provides a 3D model of the overall stratigraphy. The red zones on the vertical borehole bars represent the location of boulders.

## 7.0 SITE CONDITIONS

Figure 7.2: Stratigraphy Model



7.3.6 A preliminary seismic characterization of the site is conducted within the report through analysis of Standard Penetration Test or N values. N values are a representation of the number of blows it takes to drive a probe into a soil stratum per foot. From this analysis the site is classified as Class F due to the presence of loose sandy materials above the organic clay which are susceptible to liquefy during earthquakes, The New York City Building Code provides a range of site class definitions from Class A representing hard rock to Class F where a site contains a soil type that may be vulnerable to failure such as liquefaction among other parameters. Of note the majority of the soil strata on the site exhibited N values resulting in a Class E classification but the presence of the loose sand layers in some areas required in a final determination of Class C. Other sites for the West Garage will have their own site specific response.

7.3.7 This site classification necessitates a site-specific dynamic response analysis to be performed. The authors of the report conduct an analysis by calculating shear wave values empirically using the building code. The results provide soil classifications on which the design team can base its foundation design calculations. Finally, the report authors recommend that during any further boring and sampling program, cross-hole measurements to determine actual site-specific shear wave velocities should be conducted to verify the empirically calculated values.

7.3.8 The report concludes with analysis of foundation structural design considerations. The upper layers of loose sand and compressible organic clays and silts are considered either too loose or relatively too soft to ultimately support the column loads of the new terminal buildings and parking garages. As a result, deep foundation solutions bearing on either the stiff glacial till layer or the decomposed

## 7.0 SITE CONDITIONS

rock or hard bedrock underneath will be necessary for all structures to be constructed on the site.

- 7.3.9 The report also notes that experience at the LGA Site indicates that “downdrag” on pile foundations should be accounted for within the foundation design. Downdrag is the effect on the piles caused by continued consolidation of the soft organic clay and silt stratum around them. In effect, the soils cling to the piles as they consolidate, exerting an additional downward pressure on the piles. This also results in the soils underneath not bearing the full load of the overlying soils clinging to the piles and results in underlying soils that are not yet fully consolidated providing potential for further settlement. The result of this downdrag force is that the bearing capacity of a pile solution must be designed to accommodate the additional loading placed by the consolidated soils.
- 7.3.10 Alternative foundation solutions have been analyzed including drilled shaft caissons bearing on the rock surface or socketed into the bedrock or tapered tube piles bearing in the glacial till layers or potentially in the upper sand layer in isolated instances.
- 7.3.11 From discussion with the DBJV we understand that both caissons and taper tube piles were analyzed as potential foundation options. The presence of the thick layers of decomposed rock that overly the hard bedrock means that drilled caissons bearing on the rock surface or socketed into the rock would have to bore through the decomposed rock layer and are uneconomical as a result. The presence of boulders in the overlying layers could also provide difficulty for caissons to find secure founding on the rock appropriately, increasing risk of required re-drilling of holes and associated increased costs.
- 7.3.12 The DBJV will utilize tapered pipe pile foundation solutions for several structures on the site, however not exclusively. The pipe piles will bear within the stiff glacial tills that overly the decompressed rock. Tapered tubes will be used at select locations to minimize the risk of obstruction encounters. The DBJV has significant experience with these piles in similar formations throughout NYC. In areas such as Concourse B, the DBJV will drive deeper to an extent that the cost of tapered pipe pile is not offset by the length savings, and as such will be driving closed-end pipe piles. We note no exceptions to either approach.
- 7.3.13 The founding stratum in the glacial till does not have any compressible organic layers underneath it and so is not susceptible to further consolidation mitigating the risk of settlement affecting the overlying structure. The taper of the tube pile allows for a greater surface area to find bearing within the soils, with this additional resistance providing potentially greater load capacity. There is also potential that appropriate bearing capacity will be achieved within the upper sand layers. This has potential to reduce costs for the DBJV though a case by case analysis will have to be conducted for each pile location to ensure no stratum underneath is susceptible to further consolidation. Ultimately the DBJV is designing and costing all piles to bear in the underlying glacial till.
- 7.3.14 We also note that the tapered tube pile solution is currently being implemented by the Port Authority in the construction of East Garage and has also been

## 7.0 SITE CONDITIONS

successfully implemented by the DBJV's design team on local projects with very similar soil strata.

### *Conclusions:*

*The ground conditions at the site represent a recognized technical challenge on the Project. Soft soils prone to settlement exist on site as do areas of loose sands susceptible to liquefaction during earthquake conditions. The DBJV and its geotechnical design team have performed analysis of the existing conditions and potential foundation solutions. The pipe pile solution provides suitable mitigation to the site conditions while providing a cost effective solution. Furthermore, the proposed piled solutions are a proven technology on this site and nearby sites with similar underlying soil strata. The DBJV has been performing test piling (and have advanced to production piling in some areas) and advanced borings in key locations. We have been informed that the results have been favorable and are confirming preliminary design assumptions, hence reducing the risk of unforeseen ground conditions.*

## 8.0 SPECIALIST CONSULTANT REPORTS

### 8.1 *Passenger Traffic Study*

- 8.1.1 LGP engaged Oliver Wyman to complete a traffic forecast for the new Terminal B Facility. A copy of their final report dated April 14, 2016 has been received and the salient points summarized below.
- 8.1.2 The baseline passenger traffic and aircraft activity were forecasted for the period commencing in 2015 to 2050, which includes operations during the construction period (2015-2021) and the post-construction period (2021-2050).
- 8.1.3 The following forecasts were completed by Oliver Wyman:
- Passenger, cargo and air traffic movement (“ATM”) for LGA;
  - Passenger, cargo and ATM for Terminal B;
  - Forecast by aircraft-type for Terminal B during the construction period; and
  - Peak-hour forecast for the next 10 years (2015-2025).
- 8.1.4 For the purposes of forecasting, Oliver Wyman included all six airports in the greater New York area (LaGuardia, John F. Kennedy International, Newark Liberty International, Islip, Stewart and White Plains). LGA, which primarily serves domestic and short-haul markets, captured 23% of passengers to the New York area in 2014.
- 8.1.5 The Port Authority imposes a Perimeter Rule on LGA which prohibits non-stop flights exceeding 1,500 miles with minor exceptions (service to Denver and service on Saturdays). The airport does not have border protection or customs services, so international operations are limited to airports with U.S. pre-clearance facilities.
- 8.1.6 Oliver Wyman’s forecasting model integrates both top-down and bottom-up techniques. Their approach can be summarized as follows:
1. Developed an econometric model to predict aggregate New York area traffic for 35 years to predict an unconstrained forecast;
  2. Developed market share trends to predict an unconstrained traffic forecast at an airport level;
  3. Segmented traffic using historical data to determine ratio of domestic vs. international, local vs. connecting, narrow-body vs. wide-body segments expected at LGA;
  4. Preparation of a spill-over model to forecast the constrained traffic at an airport level. Airport ATM and passenger capacity were considered constraints;
  5. Analyzed the historical by-hour air traffic movement patterns to develop peak period and peak hour forecasts;
  6. Completed a sensitivity analysis on the forecasts.
- 8.1.7 Analysis resulted in a forecasted increase in annual passenger traffic for the New York City area from 118 million in 2014 to 225 million by 2050.

## 8.0 SPECIALIST CONSULTANT REPORTS

8.1.8 With respect to annual passenger traffic to LGA, three main constraints were considered:

- Airfield Constraints: driven by peak-hour operational constraints equivalent to the number of slots;
- Gate Constraints: an average turn of eight aircraft per gate per day is assumed based on historical documents provided by the Port Authority;
- Passenger Terminal Capacity Constraints: total annual passenger capacity of the airport.

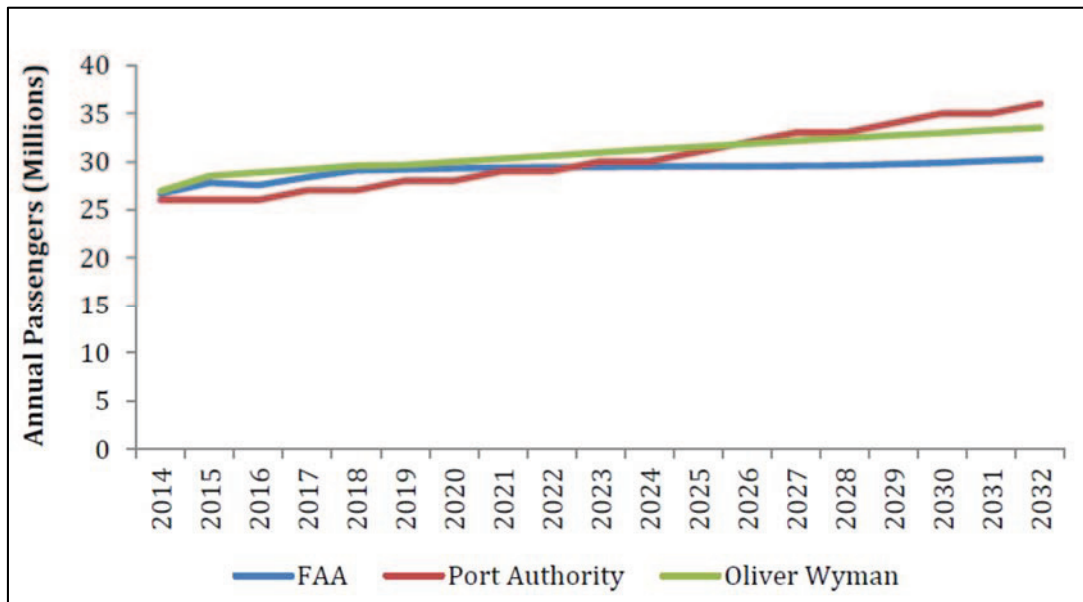
8.1.9 The analysis resulted in a forecasted increase in annual passenger traffic for LGA Airport from 28.5 million in 2015 to 37.6 million by 2050.

8.1.10 Following completion of their analysis, Oliver Wyman used the following forecasts reports as comparisons:

- PANYNJ long-range forecast issued April 2012. (Forecasted to 2032);
- FAA Terminal Area Forecast issued January 2015. (Forecast to 2040).

8.1.11 Figure 8.1 below illustrates the results of this comparison:

Figure 8.1: Forecast results for 2014-2032 (as produced by Oliver Wyman)



## 8.0 SPECIALIST CONSULTANT REPORTS

### *Conclusions:*

*The forecasting and report prepared by Oliver Wyman appears very comprehensive in its approach. We note that Oliver Wyman is a highly-regarded firm with extensive experience in preparing these models. Additionally, the forecast completed by Oliver Wyman is in line with those produced both by the Port Authority and the FAA.*

*At this time, based on the information provided to us, we do not see any inherent risk in the methodology undertaken or results provided in this report.*

## 9.0 DESIGN PRINCIPLES

### 9.1 Introduction

- 9.1.1 With consideration to Part II, Volume 2 of the RFP: Requirements and Provisions for Work for Terminal B Facilities (the “RPW”), along with the background technical information included with the RFP, the DBJV has prepared a program incorporating all the existing known information, working towards a unique final design which provides an appropriate and cost effective solution to meet the Authority’s specified parameters.
- 9.1.2 The purpose of this design review is to provide a high level description of the solution proposed by the DBJV and to identify any system(s) or design considerations that are departures from acceptable industry practices and the requirements of the RPW.
- 9.1.3 The LTA has reviewed the RPW of the RFP. The LTA has also reviewed the DBJV’s preliminary design packages. Documents reviewed are as follows:
- Reference 1 The LaGuardia Airport Central Terminal Building Replacement Project RFP Part II, Volume 2: Requirements and Provisions for Work for the CTB Facilities, Version 8;
  - Reference 2 The LaGuardia Airport Central Terminal Building Replacement Project RFP Part II, Volume 3: Requirements and Provisions for Work for the New Improvements Version 5;
  - LaGuardia Airport Central Hall – West Project RFP Part II Volume 2; Requirements and Provisions for Work for the Central Hall – West Facilities version 1;
  - Reference 3 The LaGuardia Airport Central Terminal Building Replacement Project RFP Part III, Reference Documents;
  - Reference 4 The LaGuardia Airport Central Terminal Building Replacement Project RFP Part IV, Available Documents;
  - Reference 5 LaGuardia Gateway Partners design drawing packages (Architectural, Structural Headhouse, Structural Concourse and Bridge, Mechanical, Electrical, Plumbing, Fire Protection, Baggage and Telecommunications). Progress Set, dated February 1, 2016;
  - Reference 6 LaGuardia Gateway Partners operational phasing drawing package dated February 1, 2016;
  - Reference 7 Collaborative Dialogue Meetings (“CDM”) presented by LaGuardia Gateway Partners to the Port Authority. CDMs 2 through 6 have been provided dating from October 31, 2013 to December 12, 2013;
  - Reference 8 LaGuardia Gateway Partners Alternative Concept (“AC”) submittal packages to the Port Authority for AC 1 through 6;
  - Reference 9 LaGuardia Gateway Partners Technical Proposal – Final dated May 20, 2014;
  - Reference 10 Second Interim Update Narrative dated December 10, 2015; and



## 9.0 DESIGN PRINCIPLES

- Reference 11 Third Interim Update submission package dated February 1, 2016.

**NTD: Overall level of design progression is evolving – bracketed figures to be updated ahead of final FC report**

- 9.1.4 The DBJV has progressed airside/landside design up to 35-40%, Terminal B design up 40% and the CHRP design to 40% complete. Certain systems such as foundations, structural and baggage were advanced to a greater level of completeness prior to bid for the benefit of estimation. Detailed design of the terminal building has been ongoing since August 3, 2015 and will progress through to June 2017. As we would expect at this stage of the Project, the design is incomplete and is a work in progress. There is, however, sufficient information to consider the DBJV's response in addressing the RPW, its functionality and inherent risk to the Finance Parties.

## 9.2 Construction Scope

- 9.2.1 The LaGuardia Airport Redevelopment Program (the "Redevelopment Program") consists of two parts: (i) the LaGuardia Airport Terminal B Replacement Project (the Work to be performed by the Lessee) and (ii) the LaGuardia Airport Capital Infrastructure Program (the Supporting Projects to be undertaken by the Port Authority)

- 9.2.2 Supporting Projects are the projects listed below to be performed by the Port Authority:

- The demolition of Hangars 2 and 4 (completed 1Q 2016);
- Design and construction of the new East Garage (anticipated completion 2Q 2016);
- Design and construction of the East End Substation to service the New Terminal B Facilities and East End Terminals (anticipated completion 2Q 2016); and
- Work Order #103, covering the Port Authority's obligations regarding East and West end Utility Relocations (anticipated completion 1Q 2016).

- 9.2.3 The design and construction of the electrical and communication utility trunk lines as shown on Contract no LGA-124.223 is to be performed by LGP; drawings dated 12/20/2013 – Work Order No.101 (Anticipated completion 1Q 2016).

- 9.2.4 Failure by the Authority to complete the above Supporting Projects by the applicable Supporting Project Milestone constitutes a Compensation Event.

- 9.2.5 Success of the Supporting Projects is interdependent with the Terminal B Redevelopment Project. The Baseline Project Schedule relies on the successful completion of the Supporting New Facilities Construction Milestones provided by the Authority by Attachment 1 to the RPW.

- 9.2.6 The Lessee is responsible for the completion of the D&C Work and the Operations and Maintenance Work, as described in the RPW. The D&C Work is defined as the "Construction Project" under the Lease, responsibility for which is dropped down to the DBJV on a back-to-back basis (in this context and going forward in

## 9.0 DESIGN PRINCIPLES

this report 'back-to-back' refers to the transfer of liability defined in a contract to a subcontract, thereby reducing the risk exposure of the prime contractor) under the DBC except with respect to utility costs. Section 10.1(a) of the Lease defines the Construction Project to include the following:

- i. decommissioning and demolition of the Existing Terminal B Facilities;
- ii. demolition of P2 Garage, Hangar 1 and frontage roads associated therewith and with the Existing Terminal B Facilities;
- iii. decommissioning and demolition of the Central Electrical Substation;
- iv. design, construction and demolition of temporary facilities to support passenger services during construction of the New Facilities;
- v. design and construction of the New Terminal B Facilities replacing the Existing Terminal B Facilities;
- vi. design and construction of the elevated and at-grade pedestrian walkway connection between the New Terminal B Facilities and the new West Garage (the "New Pedestrian Walkway");
- vii. the design and construction of the Central Hall;
- viii. decommissioning and demolition of the Existing CHRP;
- ix. design and construction of the New CHRP;
- x. design and construction of the new consolidated receiving and warehouse distribution ("CRWD") facility;
- xi. the design and construction of such portion of the hydrant aircraft fueling infrastructure that will be located within the contiguous aircraft ramp areas included in the New Terminal B Facilities (such portion of the hydrant aircraft fueling infrastructure, together with the New Terminal B Facilities, the New Pedestrian Walkway, the New CHRP and the CRWD, the "New Facilities");
- xii. the demolition and removal of the National Grid Gate and Governor Station following National Grid's decommissioning thereof;
- xiii. the fit-out of Building 30 and relocation of Port Authority staff from the Existing Terminal B Facilities to Building 30 (the "Building 30 Fit-Out");
- xiv. the design and construction of improvements to the public airport roads and utilities associated with such roadway improvements (the "Roadway Network");
- xv. the design and construction of replacement Utilities and new Utilities serving the Existing Facilities and, when constructed, the Existing Facilities and the New Facilities (the "Utilities Replacement");
- xvi. the design and construction of a new West Garage and associated toll plaza serving the New Terminal B Facilities (the "West Garage"); and
- xvii. airfield modifications between the New Terminal B Facilities contiguous aircraft ramp and apron area and the adjacent taxiways, as depicted on Exhibit 28-E (Temporary Rights of Access) (together with the Building 30 Fit-Out, the design and construction of the West Garage and the Roadway Network, and the Utilities Replacement, the "New Improvements");

## 9.0 DESIGN PRINCIPLES

9.2.7 Construction staging / laydown areas are planned for the west side of the LGA Airport for all LGA Airport projects. These areas will be used for office trailers, sea containers, material laydown, equipment storage and some site personnel parking. The Port Authority will allocate or assign construction staging areas. Space will be allocated to the Lessee and other Port Authority contractors, as needed, and as available, by the Port Authority.

### 9.3 Proposed Concept

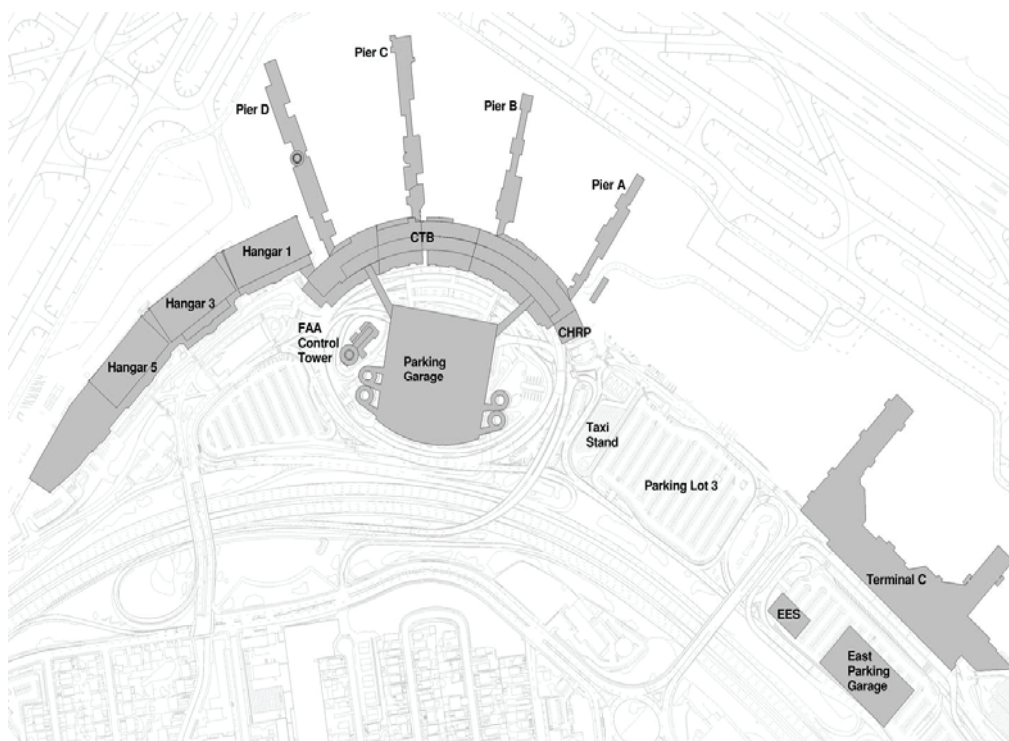
9.3.1 LGP has arrived at a unique solution in response to the needs of the Port Authority which maximises operational functionality and addresses the restricted site area available to do so.

9.3.2 The existing terminal layout consists of an arcing terminal building with 4 piers extending at right angles to the terminal building along which gates and passenger holding areas are located. The existing condition results in inefficient movement of aircraft on the apron and runway areas and inefficient passenger capacity within the terminal piers and main concourse.

9.3.3 LGP's proposed solution incorporates a terminal plan consisting of a central processor (the "Headhouse") that houses arrivals, departures, and baggage handling operations; and two mid-field satellite concourse piers (the "Concourses"). These elements are interconnected by means of two long-span pedestrian bridges.

9.3.4 Figures 9.1 and 9.2 below illustrate the existing terminal layout and the proposed concept respectively.

Figure 9.1: Existing Terminal Layout





## 9.0 DESIGN PRINCIPLES

Figure 9.2: Final Terminal Layout



- 9.3.5 On the landside, the new Terminal B headhouse will be situated within the limits of the existing 'oval' roadway network currently serving the Existing Terminal B. Constructing the new headhouse within the existing oval allows for undisrupted traffic flows to the Existing Terminal B during construction of the new headhouse.
- 9.3.6 LGP's proposed airside layout supports efficient, flexible, and expandable aircraft movements, and provides an operationally superior network of taxilanes. The geometry and placement of the two mid-field Concourses have been designed so as to maximum utilization of each pier's perimeter.
- 9.3.7 LGP's AC1 was arrived at following analysis of the Port Authority's objectives for the Project and it's Stage I Design with a view to determining opportunities for physical and operational improvements. A prime objective of the Port Authority is to improve efficiency of aircraft movements once off the active runways. The proposed layout allows movement of RON aircraft (parked aircraft that "remain overnight") from overnight parking areas to all gates without the need to enter the perimeter taxiway areas. Furthermore, the proposed layout maximises available airside space on the site which allows greater flexibility of aircraft movements

## 9.0 DESIGN PRINCIPLES

within the apron areas which will have significant operational benefits. The ability to provide circular aircraft taxi flow around the Concourses and flexibility in manoeuvring around the apron will improve stand management, reduced apron congestion and reduce potential conflict points.

9.3.8 LGP focused on the following key considerations when developing its proposed terminal layout:

- Cost savings and value for money
- Earlier delivery
- More easily phased/less disruptive construction
- Optimization of airside layout and operations
- Cost to airlines
- Maintenance and operations efficiencies
- Flexibility and future-proofing
- Intuitive way-finding
- “Sense of Place” opportunities
- A superior customer experience
- Maximizing concession revenue opportunities

### *Conclusions*

*LGP’s proposed terminal layout results in significant construction phasing and operational efficiencies when compared with the Stage 1 Design. The increase in airside apron space and resultant aircraft manoeuvrability during the O&M Period will be a key benefit to terminal operational efficiency, the current deficiency in which is a fundamental criterion to be addressed by implementing this Project.*

*It is our opinion that the proposed terminal layout simplifies construction phasing, thereby inherently reducing construction risk.*

## 9.4 Third Interim Update

9.4.1 As described in Section 1 of this report, since being named Preferred Proposer LGP has been working to incorporate scope changes as per NY Governor’s Airport Advisory Panel’s recommendation and outline in the Report entitled, “A 21<sup>st</sup> Century Airport for the State of New York: LaGuardia” issued in July 2015. The scope adjustments have included:

- Changes in the height of Terminal B;
- Reducing the height and elongating the CHRP so that the Central Hall can be constructed over top of it;
- Relocation cooling towers originally designed to be located on the roof of the CHRP to a cooling farm beside the East End Substation;

## 9.0 DESIGN PRINCIPLES

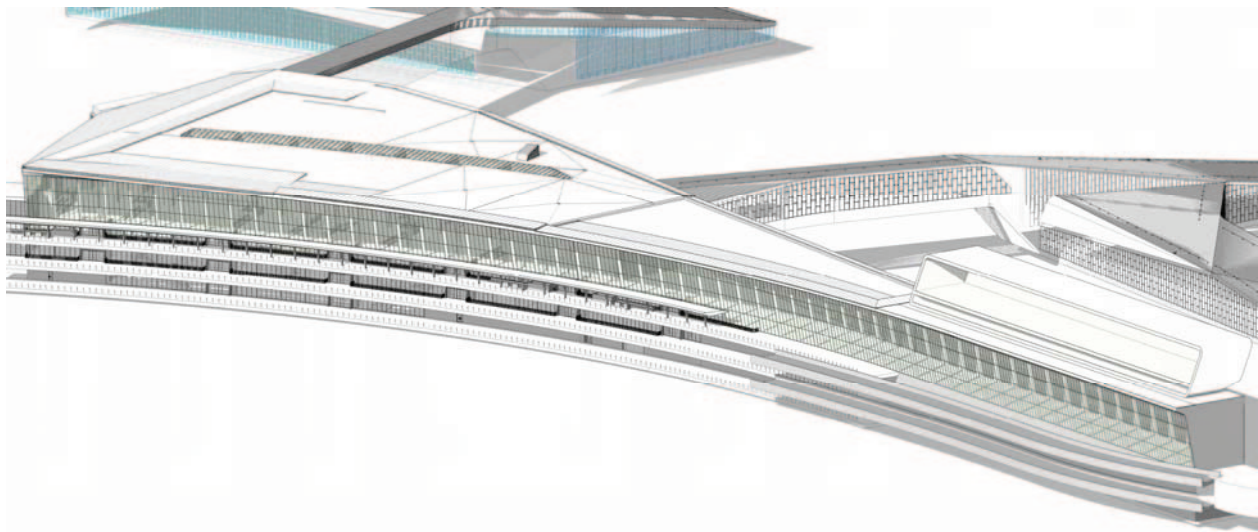
- Construction of the Central Hall and accommodation for a future AirTrain Station;
- Making accommodation for a future hotel; and
- Widening the decks of the Frontage Roads to accommodate curbside drop-off for the future hotel and conference center.

### Terminal B

- 9.4.2 Design changes incorporated into Terminal B have included raising the roof on the proposed South side of Terminal B. The intent is to have a common façade across the front of Terminal B building and the Central Hall. Figure 9.4 below illustrates the concept of the common Terminal B and Central Hall façade with a singular façade height.

## 9.0 DESIGN PRINCIPLES

Figure 9.4: Terminal B and Central Hall Concept

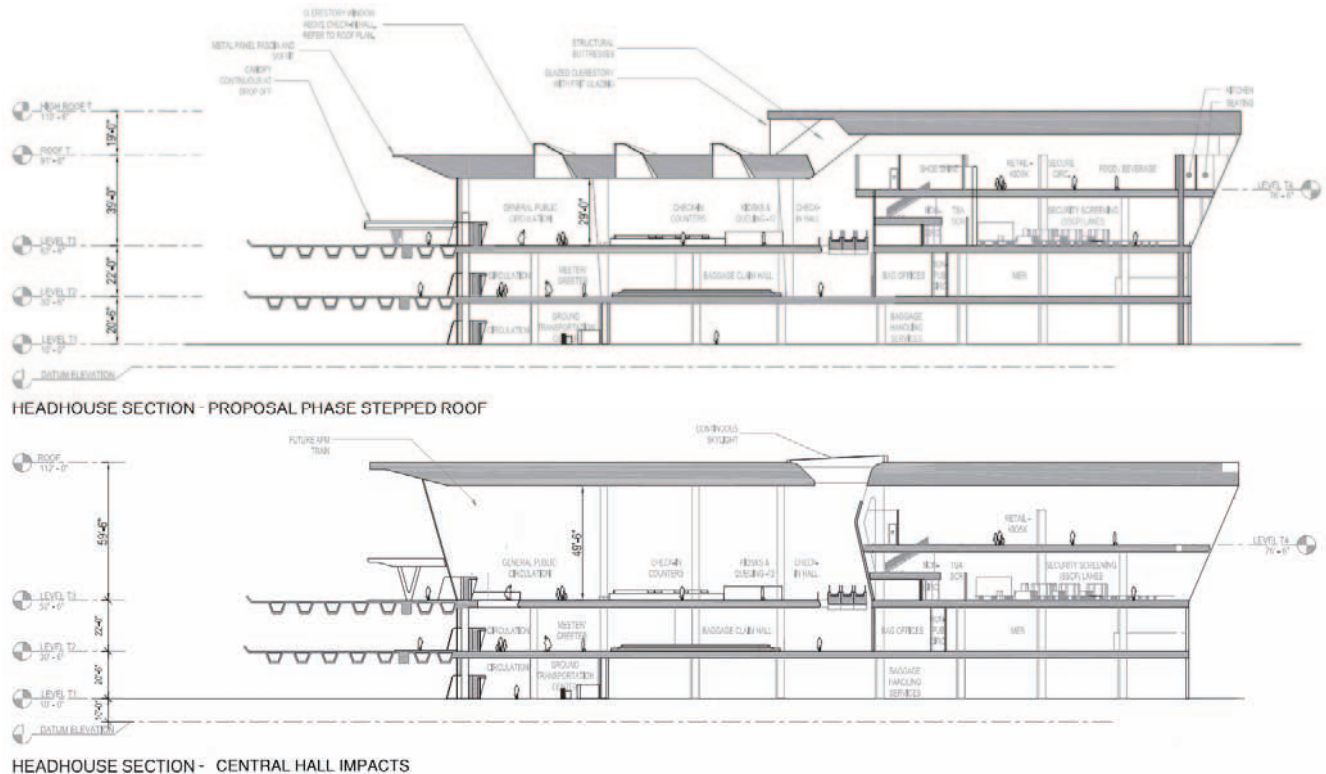


- 9.4.3 The raising of the roof resulted in changes to exterior wall elevations whereby additional metal panel has been incorporated on the east and west elevations, additional conventional curtain wall is incorporated on the north elevation and a cable stayed sloping glazed wall on the front southern elevation. The overall footprint of Terminal B remains as proposed in May 2014.
- 9.4.4 Raising the roof of Terminal B increases interior ceilings and glazing. Additional structural steel will be incorporated in the design to achieve the additional ceiling heights. Foundation design has also been revisited and foundation sizing increased to accommodate the additional steel and sloped glazed wall. In addition, a glazed “step” between roof heights has been eliminated and a skylight system included in its place. The additional volume created in the new Terminal B head house has also been accounted for in heating and cooling loads as well as electrical services and distribution. Figure 9.5 provides illustration of the changes to Terminal B height and addition of a sloped front glazed wall.
- 9.4.5 Some relatively minor alterations have also been made to the Frontage Road structure which accommodate a wider deck area for a second taxi-lane outside of the new head house and Central Hall. Modifications include changes to the distance between bridges, their foundation systems and bridge elevations. The changes are minor and do not have a material impact to the constructability of the Frontage Roads.



## 9.0 DESIGN PRINCIPLES

Figure 9.5: Terminal B and Central Hall Concept



- 9.4.6 We consider that the proposed Terminal B changes do not significantly impact the construction risk profile of the overall Project. The changes do not represent an onerous technical challenge and we consider them to be readily manageable and achievable by the highly experienced DBJV.

### Central Heating and Refrigeration Plant

- 9.4.7 The CHRP was designed to contain all of the mechanical equipment required to heat and cool the new Terminal B head house. As part of LGP's final technical proposal in response to the Project RFP, the CHRP was housed in a four level structure with cooling towers on the roof.
- 9.4.8 The CHRP is located on the east side of the head house. Where it was a four story building with smaller footprint it has been amended to be a two story structure with a longer footprint. There had been a gap between the head house and the terminal building with the two connected by a walkway. With the redesign the longer, squatter CHRP building fills that gap and now abuts the terminal head house. The CHRP structural framing and foundation plan has been revisited as a result, now accommodating the revised CHRP footprint while also considering the loading from the Central Hall and future hotel.
- 9.4.9 This redesign was implemented so that the Central Hall can be constructed over top of the CHRP, connecting to the head house and providing a common façade as described above. As a result, the cooling towers that were on the roof of the



## 9.0 DESIGN PRINCIPLES

CHRP will now be relocated to a remote cooling tower farm beside the east parking garage. A set of 24-inch condenser water mains will be used to circulate the condenser water from the cooling towers to the CHRP. The underground pipes will be made from a commonly used plastic piping (Port Authority approval of HDPE pending) in order to prevent corrosion and eliminate the need for a cathodic protection system.

9.4.10 Due to the addition of the Central Hall element, the architectural changes to the CHRP can be summarized as follows:

- Building functions altered from four levels to two;
- Building footprint compressed and elongated;
- Some relocation of egress stairs and elevators;
- Cooling tower and equipment relocated to a cooling tower farm beside the East End Substation.

9.4.11 Heating and cooling loads have been recalculated to accommodate the addition of the Central Hall as well as Terminal B. The pumping systems for the cooling towers will utilize the same pump technology as that currently in place at the existing airport. The cooling tower farm will accommodate 6 tower cells with space provided to add a seventh for the future hotel. At peak operations, two chillers will operate with four cooling tower cells to serve Terminal B and the Central Hall cooling load. The third chiller and the fifth and sixth cooling tower cells are reserved as standby. An additional 5kV substation will also be provided at the cooling tower farm due to its remote location from the CHRP and to avoid additional routing of electrical cable. We understand that this arrangement will achieve the RPW-required N+1 for chillers and cooling towers.

9.4.12 The Central Hall impacts to the originally proposed CHRP design are material to the extent that reasonably significant structural, architectural and mechanical redesign was required to accommodate the lower maximum elevation of the CHRP structure to accommodate the Central Hall over top. While the design evolution has been required, the resultant proposal utilizes similar construction materials and methodologies with foundation, superstructure and mechanical elements remaining consistent with the original technical proposal or are similarly well established technologies. We consider the redesign to be well considered and at a well-developed stage to allow accurate pricing and scheduling and that the construction of which should not pose significant additional challenges to the DBJV.

### Central Hall

9.4.13 The proposed Central Hall is to be designed and constructed over the new CHRP as described above. The Central Hall will join with the Terminal B head house to form a singular façade, as shown in Figure 9.4 above. The Central Hall metrics are as follows:

- Level 2 (Elevation 30.5) – 18,256 square feet;
- Level 3 (Elevation 52.5) – 50,323 square feet; and

## 9.0 DESIGN PRINCIPLES

- Will be utilized for circulation and public gathering.
- 9.4.14 The CHRP deep foundations have been enhanced to support the Central Hall structure over top. Additional piles have been added to accommodate the additional loads but it is not anticipated that the depth of the foundation system in need to be increased or that the diameter of the 18" taper tube piles will increase. This allows the foundation systems to remain consistent with the other Project elements.
- 9.4.15 The superstructure will be similar to the head house, consisting of structural steel with metal floor decking and roof decking. Concrete slabs on decks will be utilized, similar to the head house. As described above, the exterior walls follow that of the head house to achieve the uniform façade utilizing the sloped cable stayed curtain wall on the front façade and masonry and metal plate panels elsewhere.
- 9.4.16 The Central Hall will utilize similar superstructure design and construction techniques as the Terminal B head house except with less complexity relating to internal partitioning as there is no program spaces proposed. The design also accommodates a future AirTrain station development, construction of which is not part of the Lessee's scope.

## 9.5 *Airside Design Aspects*

- 9.5.1 The RPW include the following fundamental design parameters:
- Design Aircraft:
    - Boeing 737-900W – Group III;
    - Boeing 767-400 – Group IV;
  - Operational Gate Requirements:
    - 31 Group III and 4 Group IV contact gates (35 gates) until the need for expansion is triggered and the Hangar 3 and 5 site is available; and
    - 20 RON positions – a minimum of 20 Group III positions within or in close proximity to the terminal ramp area;
  - Provide adequate apron depth to allow for ADG IV activity at maximum number of gates;
  - Provide dual taxilanes or two points of entry for contact gates where possible; no single taxilane to serve more than 7 aircraft;
  - Provide 24-foot wide Tail-of-Stand roads;
  - Provide a dedicated 30-foot wide Restricted Service Road shared by all airport vehicles;
  - The new airside configuration will not preclude future airside improvements to correct existing Modifications of Standards;
  - The aircraft parking apron shall be graded down and away from the terminal first 50-ft at 1.0%, then at approximately 0.5% slope;
  - Provide 11 aircraft engine startup positions; 4 on the east side, 4 in the central area and 3 on the west side;

## 9.0 DESIGN PRINCIPLES

- Eliminate Head of Stand Road
- Taxilane width shall be 182-foot object free area;
- Apron depth; 230 feet along the piers and 220 feet along the terminal Headhouse gates;
- Emergency egress zone: 12 feet wide along piers and 5 feet wide along terminal Headhouse;
- Minimize jetblast impact to adjacent areas;
- The Lessee shall minimize interference with existing operations at Terminal C westernmost gates and loading dock;
- Aircraft Clearances (Minimum):
  - 25-foot wingtip clearance between all aircraft;
  - 5-foot wingtip clearance to service roads;
  - 5-foot tail clearance to service roads;
  - 30-foot nose clearance to face of building; and
  - 45-foot wingtip clearance to face of building;
- Aircraft Maneuvering:
  - Power-in/push-back operations to all gates; and
  - No push-backs directly onto Taxiway A;
- Aircraft Support Systems:
  - Passenger Boarding Bridges
  - Ground Power
  - Preconditioned Air
  - Potable Water
  - Docking Guidance System; and
  - Positive Pressure System; and
- Airside coordination with the new connection to Terminal C.

9.5.2 LGP's accepted Terminal B concept considers and adheres to these fundamental design requirements.

9.5.3 The aircraft parking plan accommodates 35 gates at all times with ability to expand to 38 gates as required by the RPW. The plan maintains a minimum taxilane width of 182 feet as required by the RPW. Full ADG IV taxilane and apron depths are provided along the entire north sides of both Concourses. This allows greater flexibility for parking of larger ADG IV aircraft when needed at multiple locations.

9.5.4 The Concourse plan for the 35-gate layout provides adequate interior space to accommodate future buildout. This allows for expansion whenever needed, without the need to provide additional building space and with only the addition of fixed bridges and passenger boarding bridges and minimal interior modifications

## 9.0 DESIGN PRINCIPLES

causing minimal disruptions to operations. We note that the demolition of Hangars 3 or 5, or the expansion to add gates would constitute a new federal action, subject to FAA NEPA review, analysis and approval.

Figure 9.6: Aircraft Parking Plan



9.5.5 LGP's design meets the RPW requirements in providing 4 independent full ADG IV gates. Two of these gate positions are located on each Concourse similar to the Stage I Design. Additionally, full ADG IV parking apron depths are provided at nine additional gate positions (five on Concourse A and four on Concourse B). These nine gates are laid out to provide independent full ADG III operations. Parking of ADG IV aircraft at these gates will require adjacent gate interdependencies to be managed similar to the Stage I plan.

9.5.6 LGP's proposed terminal concept contemplates a centralized baggage make up area within the head house. Baggage will then be transported to and from aircraft at the concourses via baggage tugs. This minimizes the capital and operating costs related to baggage conveyors and maximizes the opportunity to build in low cost baggage redundancies. LGP used 3D simulation software to perform a preliminary visual assessment of the interaction between aircrafts and baggage tugs, particularly between the head house and concourses. The simulation highlighted minimal interference between aircraft and tug movements. Traffic management tools such as stop lights could be used to manage the movement of tugs across the taxiway.

## 9.0 DESIGN PRINCIPLES

- 9.5.7 The proposed layout meets the line of sight requirements of the FAA. The design provides a clear line of sight from the air traffic control tower cab to all movement area pavements adjacent to Terminal B Project site. Currently the FAA has not confirmed that the design meets the line of sight. The DBJV is undertaking to comply with the requirements of the contract in this regard.
- 9.5.8 Under AC5 LGP proposed a combination of Hot Mixed Asphalt (“HMA”) and Portland Cement Concrete (“PCC”) pavement for the airside apron/taxilane pavement, as opposed to the RPW that requires all airside apron/taxilane pavement to be constructed of PCC. The PA subsequently provided written acceptance of AC5.
- 9.5.9 LGP proposes all gate and apron hardstands remain as PCC and that the taxilane be constructed of HMA pavement. The use of HMA pavement on portions of the airfield provides an economic and sustainable benefit to the Project. LGP proposes to use a polymer modified HMA mix as opposed to the standard FAA mix design. The polymer modified mix design will provide greater stiffness and durability which results in greater initial installation cost but provides a greater life cycle benefit over the Lease Term.
- 9.5.10 LGP’s design includes an apron control room and video monitoring for the New Terminal B. The apron control room will be integrated into LGP’s operations center at Level 3 of the head house which will view out onto the apron area. The control room view will be supplemented by cameras, particularly for gates on the north side of concourses A and B where direct views of gates will be obstructed.
- 9.5.11 Currently, re-fueler trucks requiring access to the Existing Terminal B Airside travel from the fuel farm by public roads. In order to improve aircraft operations, flexibility and safety, the Port Authority is considering the construction of a hydrant fuelling system in the RPW. The hydrant fuelling system will offer the benefit of reducing re-fueler traffic along the LGA Airport’s western perimeter and reduce congestion on public roads.
- 9.5.12 LGP is responsible for constructing and maintaining the portion of the hydrant fuelling infrastructure contained within the New Terminal B apron area. The remaining portion of the new hydrant fuelling system may be constructed as a separate project by the Port Authority. LGP is required to install the hydrant fuelling system within the New Terminal B apron area and will then install a valve that can be picked up by a future Port Authority project to connect the system with the fuel farm at a later date.
- 9.5.13 Flooding mitigation measures have been incorporated within the design to mitigate the effects of extreme weather incidents such as Hurricane Sandy which resulted in flooding at the airport in 2012. LGP’s flood mitigation plan contemplates mitigation through a flood resistant design and O&M approach to ensure resilient operational systems. Flood design criteria have been adopted from the RPW requirements and utilizes coastal analysis and risk mapping produced by the Federal Emergency Management Agency.
- 9.5.14 Existing grades will be raised as far as possible while also tying in with existing apron and roadway grades in neighbouring areas. To address this challenge the LGP design begins at existing grade at the perimeter of the site and slopes



## 9.0 DESIGN PRINCIPLES

surfaces up as much as permitted by aircraft maneuvering and parking level constraints. The building's ground floor is then set as high as possible.

9.5.15 To further mitigate flooding risks within these constraints, the proposed design lets the ground floor of the headhouse and concourses flood in a very extreme case. The key element of LGP's approach is to place all critical terminal and CHRP systems and operations at the second floor or higher including:

- Transformers;
- Generators;
- Switchgear;
- All mechanical equipment, ductwork and main piping;
- All communications rooms, and backbone cabling;
- Building system electrical and IT closets;
- Operations center and control rooms; and
- Baggage Handling Screening and sortation (CBIS and CBRA) and controllers.

9.5.16 The ground floor level primarily contains bag makeup, tenant, storage, or secondary support space such as employee screening that could be repaired without keeping the airport from re-opening and resuming service. This arrangement allows the key functions of arrivals and departures to resume as soon as local roadways beyond the site allow, and flood waters recede from the taxiway system. Generator back-up is also included to provide energy provision should energy supply be disrupted.

### *Conclusions*

*The airside design proposals made by LGP are driven with a view to maximizing LGP's flexibility to accommodate a mixed fleet of aircraft while at the same time achieving efficiencies in use of materials and operational overheads. The proposed airside layout achieves the functional requirements of the RPW while providing increased flexibility for aircraft maneuvering throughout the apron and implementing targeted pavement design so that taxilanes are designed for their operational use and not over designed.*

## 9.6 Terminal Design Aspects

9.6.1 The New Terminal B is subject to the mandatory requirements of the RPW.

9.6.2 While LGP's proposed terminal layout is innovative as compared with the Stage 1 Design, it still incorporates all the functional space required by the RPW. These functions include:

- airline check-in,
- passenger security screening,
- public circulation and waiting areas,

## 9.0 DESIGN PRINCIPLES

- airline / airport clubs,
- concession spaces including food and beverage,
- baggage claim and arrival hall,
- in-line baggage screening and baggage processing and support / office spaces, mechanical, electrical, and other Sublessees spaces.

9.6.3 The proposed terminal also maintains the following key programmatic requirements of the RPW:

- A minimum of 214 equivalent check-in positions (counters and kiosks);
- Checked bag handling system with a centralized in-line baggage screening facility to current TSA specifications;
- A minimum of 1,620 linear feet of baggage claim device presentation frontage with minimum 9 claim devices;
- Two passengers Security Screening Check-Points (SSCP) with a total of 20 lanes, consistent with TSA specifications and a 2 lane employee SSCP on Level 1.
- Concessions including retail spaces and food and beverage areas, airline lounges and other passenger amenities
- Terminal operations and support space;
- Airline operations and support space;
- Airside holdrooms, and secure circulation; and
- Passenger boarding bridges, pre-conditioned air, ground power units, visual docking guidance systems and potable water.

9.6.4 Table 9.1 provide programmatic space as provided by the Stage 1 Design and LGP's proposed terminal layout.

Table 9.1: Functional Areas

Functional Area	LGP Terminal Layout (ft <sup>2</sup> )
Headhouse	810,871
Concourse A	220,658
Concourse B	268,805
West Garage Connector	25,725
Bridge to Concourse A	24,549
Bridge to Concourse B	22,729
<b>TOTAL</b>	<b>1,373,337</b>

## 9.0 DESIGN PRINCIPLES

- 9.6.5 Figure 9.7 below provides a schematic cross section showing the programmatic areas of LGP's proposed terminal layout. Note that while the cross section depicts the vertical façade of the LGP's original technical proposal, the pragmatic depiction remains accurate.





## 9.0 DESIGN PRINCIPLES

- 9.6.6 LGP's Terminal B layout proposes a central head house with arrivals, departures, and baggage handling operations; and two mid-field satellite concourse piers. The central head house will be situated within the limits of the existing 'oval' roadways network serving the Existing Terminal B for ease of construction staging. LGP's design is based on the following primary principles:
- Build inside the existing roadways where construction of the Headhouse is unimpeded; maintaining roadway access and uninterrupted operations of the Existing Terminal B and gates;
  - Optimize the footprint to provide the greatest initial and long term flexibility for all built areas;
  - Gain economies of scale by utilizing square massing versus elongated massing;
  - Maximize the clarity of way-finding, providing passenger convenience and comfort via clear views and fluid paths which is a specific requirement of the RPW; and
  - Maintain simple and direct departures processing on one level with a passenger decompression zone after Security Screening Check-Points ("SSCP") check and an upper level concessions amenity that initiates positive passenger experience.
- 9.6.7 At departures there will be 24 curbside check-in positions per the Stage I Design. Six wide entry vestibules provide access to 60 conventionally staffed check-in positions, 122 self-service kiosks with bag check, 32 stand-alone kiosks and 2 oversized check-in positions. Passengers then proceed directly ahead to the SSCP and recomposure area with views of the airside. As required by the RPW there is a bridge level connection from the Parking Garage at the West side of the New Terminal B providing access for park and fly passengers.
- 9.6.8 The concourses are intended to be more relaxed waiting areas. Private club access, retail, and food and beverage facilities will be located on each pier, but the primary retail areas will be in the head house. Baggage handling operations will occur in the head house which allow the concourse apron to be available for airline operations, ground service equipment and baggage cart staging and mechanical space. The shorter, wider concourses also provide the most energy efficient building footprint and flexibility in the overall layout and the shorter distance to gates enhances simple wayfinding and eliminates the need for moving walkways.
- 9.6.9 The proposed terminal includes a centralized security checkpoint which allows for a more efficient use of TSA resources and flexibility to manage peak periods and less downtime in case of disruptions. The space can be partitioned to allow for two separate but adjoining security points if desired by the Port Authority.
- 9.6.10 The centralized retail area also contributes to the overall passenger experience. LGP anticipates that the proposed terminal layout will result in increases in the spend rate by passengers and terminal users by centralizing pedestrian traffic through security to a single central, higher-end retail zone with more "convenience" food and beverage retail available in the individual concourses. By facilitating a greater flow of passenger through the centralized concession space,

## 9.0 DESIGN PRINCIPLES

the opportunity to attract a wider array of retailers and premium brands is increased.

### *Conclusions*

*The proposed terminal layout achieves the functional requirements of the RPW. The proposed terminal will provide efficiencies in energy use during operations. LGP has attempted to maximise possible revenue generation at the terminal through centralizing retail concession area in the head house.*

## 9.7 Landside Design Aspects

9.7.1 Landside P3 scope of works consist of design, construct, operate, and maintain all Landside facilities constituting part of the Construction Project (other than the New Improvements), including:

- the New Terminal B Frontage Roads;
- connection of Utilities to support the New Terminal B Facilities; and
- demolition of the Demolition Facilities.

9.7.2 The proposed Frontage Roads now extends east in front of the proposed Head House, providing the required curbside frontage. The realigned geometry of the Frontage Roads (Departure, Arrivals and HOV) will transition to meet the Roadway Network alignments just east and west of this frontage. LGP's proposal provides for sidewalk widths conforming with the RPW requirements at all levels of the Headhouse and Central Hall.

9.7.3 There will be 3 levels of ramps constructed as part of the Frontage Roads. The Departure, Arrival and HOV ramps to the New Terminal B will remain at the same orientation and elevation as the Stage I Design:

- Departure Level will be at the upper level (El. 52.5)
- Arrivals at the mid level (El. 29.0)
- HOV at the ground level (El.9.0)

9.7.4 The proposed frontage roadway and ramps are as specified in the RPW and as depicted in the Stage I Design, as follows:

- Departure and Arrival Frontage Roadway
  - Two 12' drop-off lanes, two 11' bypass lanes and one 3' left shoulder
- HOV frontage roadway
  - One 13' drop-off lane, two 11' bypass lanes, 3' striped median, one 11' HOV Lane and one 3' shoulder
- Ramps
  - 3 Lane Ramp – Three 12' lanes, and two 3' shoulders
  - 2 Lane Ramp – Two 12' lanes, and two 3' shoulders

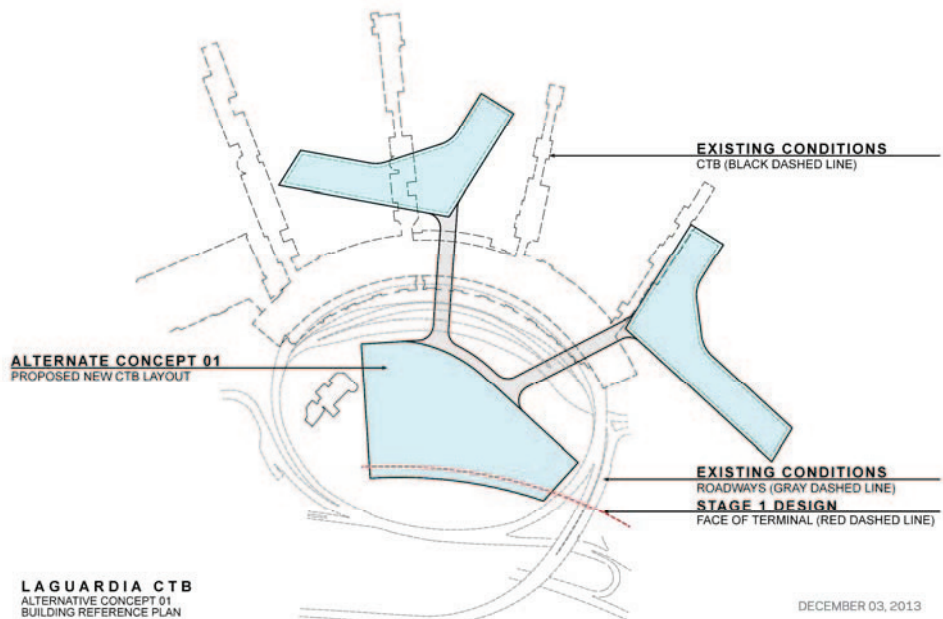
## 9.0 DESIGN PRINCIPLES

- 1 Lane Ramp –One 15' lane, and two 3' shoulders
- Minimum Vertical Clearance will be maintained at 14'-6" under roadway structure and 15'6" under signals

9.7.5 LGP will build the Frontage Roads offline. After the New Terminal B is opened, interfering ramps will be demolished, the arrival level infill built and finishing with the ground transportation level. Fast-tracked construction of the arrivals roadway will decrease impact to passengers.

9.7.6 The design and position of the New Terminal B involves shifting the frontage roadways approximately 30 feet south of the location shown in the Stage I Design. This realignment accommodates expansion of the New Terminal B in the north/south direction providing additional space for the entire terminal to fit within the perimeter of the existing 'oval' roadway network, as shown in Figure 9.8 below. This allows construction activities on the New Terminal B to occur without disrupting the existing traffic flow patterns of vehicles traveling to and from the Existing Terminal B. The flyover ramp traffic from the eastbound Grand Central Parkway for re-circulating traffic will not be disrupted during construction of the New Terminal B.

Figure 9.8: New Terminal B within Existing Road Network



9.7.7 Demolition Facilities are defined as follows:

- the Existing Terminal B Facilities;
- the Existing CHRP;
- the Central Electric Substation;
- the P2 Garage;
- Hangar 1;

## 9.0 DESIGN PRINCIPLES

- portions of the National Grid Gate and Governor Station including the masonry structures only, with National Grid responsible to decommission and remove everything within the gate and governor station
- frontage roads associated with the P2 Garage, Hangar 1 and the Existing Terminal B Facilities;
- temporary facilities to support passenger services during construction of the New Terminal B Facilities and
- other ancillary facilities required to be demolished in accordance with the Requirements and Provisions for Work.

9.7.8 Operations for demolition of structures will run in three shifts per day until completed and material cleared from the project site. The first shift will start at 6:00AM and end at 2:00PM and the second shift will start at 7:00AM and end at 3:00PM. The third, overnight shift, which will not last for more than 5.5 months, will start at 10:00PM and end at 6:00AM

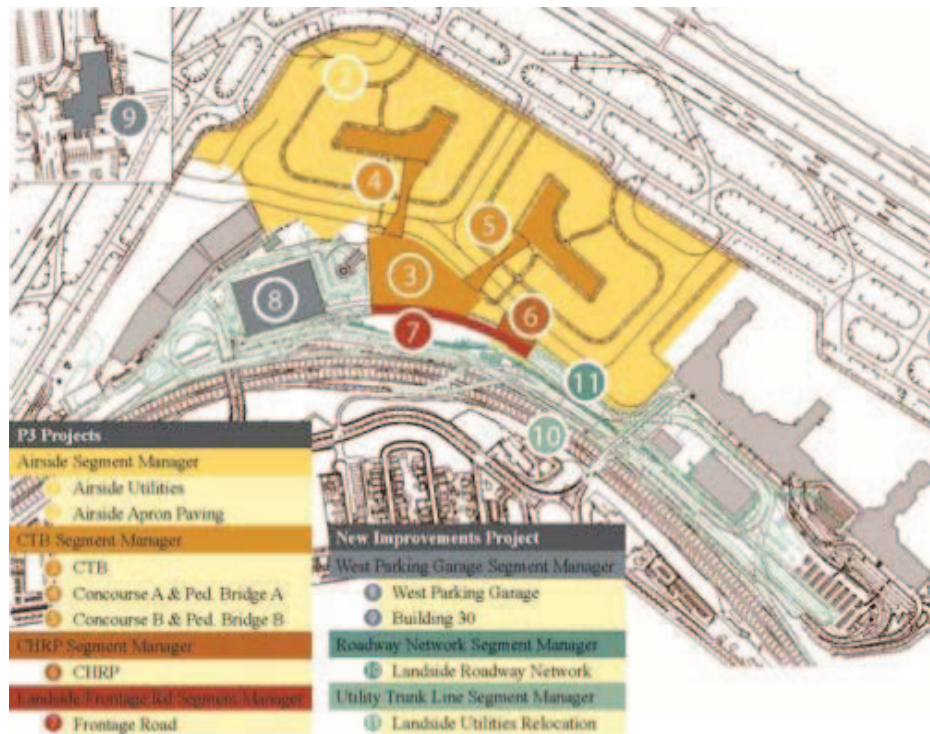
9.7.9 LGP has identified routes for hauling debris off site and will implement a cleaning program. Vibrations and noise testing will be carried out and the use of fencing with noise mitigation measures implemented to prevent sound carry during demolition works. Dust control measures such as watering and covering dirt stockpiles with tarps will also be implemented.

9.7.10 Throughout the Construction Project all work zones will be established as landside by providing required work area protection and roadside protection around the established work zone phasing presented in our construction plan. Defining these areas as landside allows the work in these zones to run continuously and unimpeded, reducing interference with airport operations.

9.7.11 The New Improvements consist of the fit-out of Building 30, the West Garage, the Roadway Network and the Utilities Replacement. These scope items are within LGP's responsibilities during the Construction Period but are outside of the O&M scope of work. Figure 9.9 below shows the project elements forming part of the P3 contract works and the New Improvements.

## 9.0 DESIGN PRINCIPLES

Figure 9.9: P3 Projects and New Improvements Projects



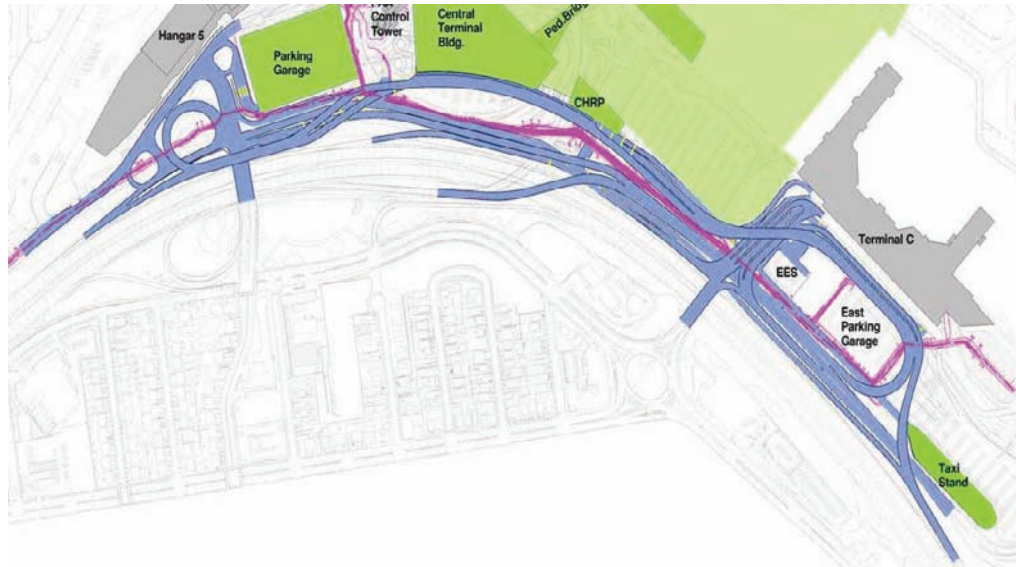
- 9.7.12 Building 30 is a one-story metal clad steel-framed structure with a partial second floor located on the Marine Terminal Road at La Guardia Airport. The garage has a metal deck roof supported by steel framing. The building was used for offices of the Airport Police and storage of rescue vehicles and will now be used to house Port Authority Operation Unit 303. Operation Unit 303 consists of approximately 67 people and its daily function is to coordinate, direct and respond to airside and landside operational needs of LaGuardia Airport.
- 9.7.13 The scope of work includes demolition of existing interior partitions and construction of new Architectural and Mechanical/Electrical/Plumbing systems. The retrofitting of the first floor includes separating public functions such as Driver Training and FAA Training from the Operation's Control Center.
- 9.7.14 The West Garage is a complementary structure to the New Terminal B Facilities and will provide a minimum 3080 parking spaces upon completion of the project. An elevated pedestrian connector and at-grade access between the West Garage to the New Terminal B will be provided. LGP will provide a temporary at-grade and elevated covered walkway with lighting from the West Garage to the Existing connector (we note that the pedestrian connector is a part of the P3 scope, and not the New Improvements) and until the New Terminal B becomes operational.
- 9.7.15 The roadway design is to provide new entry ramps to the airport from the Grand Central Parkway and will provide shared access to the new Terminal B and Terminals C and D. The roadway system is based on the anticipated peak traffic



## 9.0 DESIGN PRINCIPLES

load with improved roadway geometry, simplified signage and maximizing free flow of traffic movements to ease congestion.

Figure 9.10: Landside Roadway Network



- 9.7.16 The construction of the new Roadway Network will require close coordination with other ongoing construction activities within the LGA Airport and Airport operations. A construction sequence for the bridges and roadways will be established based on a coordinated traffic maintenance plan and construction schedule, as well as specific site requirements.
- 9.7.17 The transition of the Roadway Network from temporary to permanent will be staged to minimize disruption of services to the various terminal operations, and accommodate the functional arrangement to the surrounding facilities, such as the existing and new terminal, parking garages and LGA Airport deliveries.
- 9.7.18 The Public Communications Plan will be critical in traffic and congestion management. Lane closures and new traffic patterns will be communicated to all users of the roadways in advance of their implementation. This will include the use of portable variable message signs, press releases and possibly flyers printed for the nearby residents and employees of nearby business.
- 9.7.19 LGP must install a Utility corridor south of the New Terminal B with the following Utilities:
- low-pressure water line;
  - high pressure water line;
  - sanitary line;
  - sanitary force main;
  - storm sewer line;
  - two parallel 5Kv ductbanks, 600 V ductbank;

## 9.0 DESIGN PRINCIPLES

- natural gas line; and
- communication ductbank.

### *Conclusions*

*The landside scope of work incorporates the frontage roads structure immediately in front of the head house, the Roadway Network, construction of the West Garage and fit out of Building 30.*

*The technology to be implemented will consist of widely used highway construction techniques and should not pose a significant challenge from a technical point of view to implement. Staging and traffic management will be of critical importance in order to maintain traffic flows to the operating airport facilities.*



## 10.0 SCHEDULE REVIEW

### 10.1 Introduction

10.1.1 We have reviewed the DBJV's draft "LGA Preliminary Baseline Schedule Update 1 7.0" schedule, updated through March 31, 2016. We note that the Baseline Schedule contains an extremely high level of detail and is more developed than what would be typically expected at this preliminary stage of the project, indicating an importance and focus on the schedule creation and development.

### 10.2 Key Dates & Durations

10.2.1 A summary of the key dates and durations contained within the schedule is presented below:

• Proposal Due Date	20-May-14 Actual
• Preferred Proposer Selection	2-May-15 Actual
• Commercial Close Deadline	12-Apr-16 Actual
• Financial Close & Lease Commencement Deadline	11-Jun-2016
• Design Start – P3 Contract	04-Aug-15
• Anticipated Lease Commencement Date	31-May-2016
• Construction NTP – P3 Contract	03-Aug-16
• New Terminal B Headhouse – construction commence	28-June-16
• New Terminal B Headhouse – construction complete	06-Jan-20
• Concourse B – construction commence	03-Aug-16
• Concourse B – construction complete (both landside and airside)	30-Aug-18
• Concourse A – construction commence	07-March-19
• Concourse A – construction complete (both landside and airside)	10-Dec-21
• New CHRP – construction commence	03-Aug-16
• New CHRP (incl. Cooling Tower Farm) – construction complete	21-Jul-21
• New Improvements (West Parking / Building 30 / Utility	31-Mar-16A (confirm)
• Trunk line / Roadway Network – construction commence	
• New Improvements (West Parking / Building 30 / Utility	23-May-22
• Trunkline / Roadway Network – construction complete	
• West Parking – construction complete	29-Jan-18
• Central Hall Commence	4-March-20
• Central Hall Complete	23-May-22
• Substantial Completion (New Improvements)	07-Jan-21
• Substantial Completion (P3 Contract)	08-July-22
• Final Acceptance	05-Nov-22
• Construction Duration	72 Months
(Construction NTP: 03-Aug-16 to Substantial Completion: 8-Jul-22)	

10.2.2 Multiple Milestones have been included in the project schedule provided for review, including but not limited to Interface activities, Ready and Open for multiple activities, Temporary Certificate of Occupancy, Grand Opening, Substantial Completion, Permanent Utilities Ready for Use, Design Due, Punchlist Complete, and many other typical milestones. The milestones included appear reasonable and will assist in the understanding and management of the project.

## 10.0 SCHEDULE REVIEW

10.2.3 As there is considerable work to the roadway network surrounding the Project, traffic flow must be maintained throughout the works with minor disruption. Significant planning and coordination appears to have been utilized within the Phasing Plan provided, dated February 1, 2016.

### 10.3 *Request for Proposal Requirements*

10.3.1 We received a copy of the RFP, Version 6. Section 8 of Part I – Instructions to Proposers – Exhibit H-7, outlines the technical requirements for the Design and Construction Schedule. The pertinent points are outlined below:

10.3.2 The Proposer shall provide a summary Preliminary Project Baseline Schedule, including projected milestones for the Preliminary Notice to Proceed (“PNTP”) Work, the target date of Commercial Close, the target Lease Commencement Date, the Construction Period, the projected Guaranteed Substantial Completion Date and other key milestone dates in accordance with the Lease.

10.3.3 The Proposer shall provide a Preliminary Project Baseline Schedule that shall be prepared and submitted in native format using the most current version of Oracle Primavera P6 or other software compatible with Oracle Primavera P6; all submissions shall be capable of being edited by the Port Authority.

A P6 .xer file has been provided for review and includes a substantial number of activities, relationships and logic, which appear to be adequate for this phase of the project. Although certain items may remain to be determined upon additional development of the schedule, the level of detail is far advanced beyond what would typically be expected at this stage. In discussion with the Proposer’s chief scheduler, a dedicated team of four (4) staff members will be continuously improving and modifying the schedule, indicating the value and importance of the schedule to the overall project success.

10.3.4 The Proposer shall provide a narrative description of the Proposer’s strategies related to the development and implementation of the proposed schedule. The Proposer shall articulate its plan for communication, adherence and recovery strategies, so as to illustrate how it will maintain its proposed schedule. The narrative shall provide clear references and linkage to the project schedule and construction phasing prepared as a part of the Design Plan and Construction Plan. The narrative shall also provide details of the Proposer’s approach to managing the schedule control mechanisms.

10.3.5 The submission shall include a detailed critical path network-based schedule for the Project, and include, at a minimum the following:

- Timing for proposed PNTP Work;
- Mobilization;
- Securing the permits, licenses and approvals for the Project;
- Major design activities and milestones, including consultations with the Port Authority, Stakeholders and major package submittals, and design review / audit activities;
- Investigation of geotechnical/foundation/earthworks/subsurface conditions unique to the site/consolidation periods;
- Procurement of major equipment and materials;

## 10.0 SCHEDULE REVIEW

- Construction sequencing, phasing and staging;
- Preparatory work (maintenance of traffic, temporary works, detour routes, etc.);
- Demolition;
- All infrastructure works;
- Utility relocations and/or protection;
- Temporary facilities during construction; The Port Authority of New York and New Jersey RFP Version 6 LaGuardia Airport Terminal B Replacement Project Part I - Instructions to Proposers – Exhibit H-9
- Major structure construction (bridges, Roadway Network construction, New Terminal B, New CHRP, CRWD and West Garage);
- Major construction milestone dates for the Project, shown in relation to anticipated completion dates of the Supporting Projects;
- Construction start and completion dates for all construction phases, that reasonably demonstrate the achievement of Substantial Completion of the entire Project by no later than the Guaranteed Substantial Completion Date;
- Critical path, including relationship lines;
- System integration, testing, commissioning and activation process;
- Coordination with the Port Authority, Stakeholders and Terminal B Airlines;
- Portions of the Project being handed back to the Port Authority with proposed milestones;
- Other significant work activities; and
- Final works, including site clean-up.

### *Conclusions:*

*The Project Schedule provides a detailed, logical and coherent work plan to conduct the works with suitable consideration to the complexity of the project. Activity durations appear to be reasonable and the overall Project duration appears to be sufficient to perform the Project. The LTA believes this to be a low risk at this stage of procurement and that the Project Schedule will be developed further throughout the process, which represents standard market practice.*

## 10.4 Pre-Construction Works Review

10.4.1 LGP's Schedule indicates the following works commencing on selection of Preferred Proponent:

- Develop Final Proposal (complete);
- Process and achieve Commercial and Financial Close;
- Execution and Delivery of the PNTP Agreement;
- Commence with Design for New Improvements; and
- Commence with Design for the P3 Contract.

### *Conclusions:*

*Durations and lead-in times for these works appear to be satisfactory in terms of duration and logic, and in compliance with the Lease. These Pre-Construction Activities will allow LGP to prepare for the forthcoming design, construction and commissioning works.*

## 10.0 SCHEDULE REVIEW

### 10.5 *Schedule Approach and Methodology*

- 10.5.1 The project execution plan will integrate people, systems and practices into a comprehensive delivery model and provide Project specific procedures and information on scheduling, subcontractors, internal governance and reporting during the Project.
- 10.5.2 It is anticipated the DBJV intends to provide management staff for the project with a majority of their local team members, subcontract the majority of the work, and will engage local suppliers as required. The DBJV will review each subcontractor capabilities before engaging to ensure they have the appropriate resources available.
- 10.5.3 The Project Baseline Schedule and the Project Phasing Plan provide a detailed sequencing of the Work and provide a clear organization of how the Work will be incorporated into the continued operation of the Airport during performance of the Work. The Project Phasing Plan also provided detailed information relative to the gate operation for the aircraft, with certain gates opening and closing within each Phase. The DBJV has indicated that the operation and capacity of the airport will not be impacted during the Work. Certain New Facilities Construction Milestones are provided in Exhibit D of the Lease; however, the phasing plan provided does not specifically reference these milestones. The Project Phasing Plan provides alternative Phasing identification, which will presumably be utilized during construction, to identify the specific work and phase areas. Throughout the duration of the Work, certain areas are designated as parking and laydown for the DBJV's staff and crew. These areas are clearly noted on the Phasing Plan and appear reasonable for the flow and scope of the Work.
- 10.5.4 LGP's proposed terminal layout and phasing plan represents a significant innovation from the Stage 1 Design included with the RFP. The proposed terminal layout is driven by LGP's analysis to achieve the most efficient use of available space that would drive efficiencies during both construction and operations. The resulting construction phasing reduces the number of phases required and the overall construction period when compared with the Stage 1 Design.
- 10.5.5 The Project Phasing Plan is detailed as follows:
- The construction of the West Parking Garage is the first Work to be performed, with demolition of Parking Lot P1 to serve as the site for this Work.
  - Phase 1A continues with Work on the West Parking Garage and surrounding infrastructure, as well as demolition of the existing Headhouse. Work will also commence on the demolition of the apron that will become the eastern portion of Apron B and a small section of road to the west of the East Parking Garage.
  - Phase 1B consists of continuing work on the West Parking Garage, as well as new construction of the western portion of the Headhouse, the new CHRP, and the eastern portion of the new Concourse B. Certain roadway improvements also begin during this phase.

## 10.0 SCHEDULE REVIEW

- Phase 1C is similar to Phase 1B in scope, with the addition of work beginning on the Eastern portion of the Headhouse and on the eastern portion of Apron B.
- Phase 2A is indicated to include the completion of the West Parking Garage, the CHRP, the eastern portion of Concourse B and the eastern portion of Apron B. In this phase, work continues on the Headhouse and various roads. Work also begins on the northern portion of Concourse B, the demolition of the western portion of Apron B and Piers A & B, as well as their associated gates.
- Phase 2B indicates that the northern portion of Concourse B will be completed, as well as work continuing on the West portion of Apron B. Miscellaneous structures relative to the existing Terminal B will be demolished, with a temporary Pedestrian Bridge installed to Concourse B.
- In Phase 2C, work will commence on the permanent Pedestrian Bridge from the Headhouse to Concourse B. Various road constructions will be completed during this phase, generally in the vicinity of the East Parking Garage.
- Phase 3A consists of the completion of the Pedestrian Bridge between the West Parking Garage and the Headhouse, as well as the completion of additional road work adjacent to the East Parking Garage.
- Phase 3B consists of the completion of a portion of the work associated with the western portion of Apron B, as well as demolition beginning on the eastern section of Apron A. Demolition of the eastern Pedestrian Bridge to the existing Terminal B will also be demolished during this phase.
- Phase 3C involves the commencement of work on the eastern portion of Apron A, as well as minor demolition in the existing Pier C.
- Phase 4A includes the completion of the Pedestrian Bridge to Concourse B, the Headhouse and the majority of the roads around the East Parking Garage. Work begins on certain roads around the East Parking Garage, as well as the northern portion of Concourse A during this phase. Demolition of Hangar 1 and the eastern portion of Terminal B commence as well.
- Phase 4B includes work on the Pedestrian Bridge to Concourse A and adjacent to the Control Tower. Demolition continues on the eastern portion of Terminal B.
- Phase 5A consists of the completion of the northern portion of Concourse A and road work adjacent to the CHRP. Demolition of Pier C and a portion of the western portion of Apron A.
- In Phase 5B, demolition of a portion of the western portion of Terminal B and Apron A continues, with work beginning on the western portion of Apron A.
- Phase 5C consists of work continuing on Apron A and Concourse A.
- Phase 6A consists of the demolition of Pier D, the remainder of Apron A and the remainder of the existing Terminal B, as well as the completion of Concourse A and the eastern portion of Apron A.
- Phase 6B involves the commencement of work on the western portion of Apron A and the completion of all other Phases of work.

## 10.0 SCHEDULE REVIEW

- Phase 7 represents the completion of all work, including the western portion of Apron A.

Please refer to Appendix A for drawings showing LGP's proposed phasing.

10.5.6 Phasing during construction involves a single transition to the new Headhouse rather than phased introduction of the central facility, which improves the passenger experience and eases the communication of what to expect at the airport.

10.5.7 Key benefits of LGP's phasing plan include:

- Allows for a single phase shift from the existing Terminal B head house to a new headhouse for all passenger, security and baggage functions.
- Less disruptive construction
- Optimizes airside layout and operations
- With all headhouse construction occurring within the approximate footprint of the parking garage, the new baggage systems will be 100 percent commissioned and operational on opening day, providing significant operational efficiencies
- Minimizes disruption to ongoing airline operations. For the most part, all existing baggage operations and screening will occur in their current locations until they move into the new headhouse.
- Opens the New Terminal B headhouse 9 months earlier than the schedule envisaged for the Stage 1 Design.
- Allows 10 new gates at Concourse B East to open six months sooner than the original planned opening at Piers 1 and 2 of the Stage 1 Design.
- Allows the Frontage Road Legacy Project to be completed up to 9 months earlier.

10.5.8 Further in our review of the Project Baseline Schedule, we note the following (none of which represent a material risk in our opinion, but rather reflect an appropriate level of development):

- The Preliminary Baseline Summary Schedule reflects key New Facilities Construction Milestones, certain of which have occurred in the past and are indicated as completed, such as the Notice of Award, Design Start of P3, PNTP Scope Start and New Improvement Scope. The New Facilities Construction Milestones yet to be complete include, Final Proposal Submission, PNTP Extension Scope Continuation, Commercial Close, Lease Commencement, Financial Close, and Construction Commencement of D/B Improvement and P3 Scope. There are also certain milestones related to the Interface between New Improvements and IP3, as well as a milestone date for the CHRP Ready to Provide Utilities;
- The Project Baseline Detailed Schedule has a considerable number of activities, phasing and location breakdowns to express the sequencing and progress of the work;

## 10.0 SCHEDULE REVIEW

- No relationship lines between activities are visible on either the Project Baseline Summary Schedule or the Project Baseline Detailed Schedule, which does not allow for adequate analysis of the proposed project critical path. However, the level of detail of activities, along with the Project Phasing Plan provide an adequate understanding of the overall progression of the Work, along the Critical Path;
- Minimal specific building milestones are provided within the Preliminary Baseline Summary Schedule; however, a significant number of milestones for multiple activities, such as Design Submissions, Procurement Items, and specific Phase Commencement and Completion, are indicated in the Preliminary Baseline Detailed Schedule;
- Certain activities within the provided schedules have occurred in the past, and are indicated with an "A" in the date columns, as actual dates and in blue; however, the detailed schedule does not specifically indicate a Data Date vertical line to demonstrate the date of the schedule update;
- Critical path activities are specifically identified with a differing color or standard red identification, and appears to be reasonable in relation to the Project Phasing Plan and the level of detail expected at this phase of the project. We again note the dedicated scheduling staff who has been tasked with making continual improvements and modifications as necessary;
- All design, procurement and construction activities are clearly identified and adequately sequenced and organized, with a sufficient detail breakdown of the Work items;
- Design activities are developed into six main design items which are Roadway, Drainage, Structures, Traffic, ITS, Lighting/Electrical;
- Government approval activities are scheduled to commence 4 months after commencement of design activities and have been incorporated into the Preliminary Baseline Schedule;
- Preconstruction phase contains design, and regulatory approvals activities;
- All long-lead and procurement items have been incorporated and identified in the Preliminary Baseline Construction Schedule, with considerable time frames allotted between these activities on the detailed Project Baseline Schedule, which appear to be able to be approved upon;
- It is anticipated the DBJV intends to self-perform limited portions of the works and is likely to subcontract certain trade packages;
- The DBJV intends to maintain integration and collaboration through the project by facilitating co-location of all parties. Co-location should assist in streamlining the project delivery;
- The DBJV has not built in Christmas shut down periods within the schedule;
- No specific contingency / float has been included in the Project Baseline Construction Schedule which is typical;
- Additional labor will be a strategy for acceleration if required;
- Statutory holidays have not been built into the Project Baseline Construction Schedule and are not specifically identified; and



## 10.0 SCHEDULE REVIEW

- Substantial Completion and Final Acceptance dates have been confirmed in the schedule which generally coincide with the Milestone Requirements detailed in the Lease.

### *Conclusions:*

*LGP's phasing plans delivers the New Terminal B head house nine months earlier than the Stage 1 design and reduces the number of construction phases throughout the construction period. This will provide a more streamlined, single transition phase from existing systems such as baggage and security which inherently reduces operational risks. In addition, no tie-in between existing and new systems will be required.*

*The LGP scheme will minimize disruptions to ongoing operations, completing most of the Construction Work offline and segregated from airside areas of the airport. Passengers will further benefit from fewer phases of temporary connectors between old and new infrastructure which will promote familiarity and easier way finding.*

*By enclosing larger sections of airside construction areas in each of the phases LGP will improve construction efficiency and retain workers within the secure construction area which will reduce risk of conflicts with airport operations.*

*Further, LGP's intended phasing shows the Headhouse being completed earlier than anticipated in the Stage 1 design, thereby allowing revenue generation to commence far earlier than originally anticipated.*

## 10.6 Assessment of the Construction Schedule

- 10.6.1 The sequencing and duration of activities is considered reasonable for the size and complexity of the Project. The overall construction duration for the Project is reasonable. Considerable care and monitoring will need to be performed during the Construction Period, to ensure the level of detail expressed in the Project Baseline Schedule is achieved. A detailed sequencing and phasing plan has been provided as well for ease of understanding of the timing and coordination of the Work. This document, along with the Project Baseline Schedule, appears to be sufficient for the management of the Work during the Construction Period.

## 10.7 Schedule Update Process

- 10.7.1 During the Construction Period, the DBJV shall deliver to the Lessee a monthly report reflecting the current status of the Project activities, which the Lessee shall maintain until Final Completion. The Lessee shall report to the Port Authority any proposed update or modifications to the Project Baseline Schedule. If the Work is more than ninety (90) days behind the then-current Project Baseline Schedule, the DBJV will develop and submit to the Lessee an Alternative Solutions Report that includes a Recovery Schedule. Typically, the Updated Schedule, as well as the Alternative Solutions Report and Recovery Schedule will include, but not necessarily be limited to:

- Critical Path;
- Executive Summary;



## 10.0 SCHEDULE REVIEW

- 3 week look-ahead;
- 1 month look-behind;
- Overall schedule variances;
- Time change schedules;
- Interface milestones; and
- Cash flow.

10.7.2 We consider the above to be appropriate tools for a comprehensive approach to schedule management and reporting. Due to the critical nature and significant coordination of the work, the time frame for review and approval appears reasonable; however, more frequent reviews and updates may become necessary during the course of the Work.

### 10.8 *Schedule Assumptions and Methods to Accelerate*

10.8.1 The Schedule is based on the following built in logistical assumptions and contingencies:

- All new superstructure building construction is expected to occur during normal eight-hour shifts during the day.
- Piling operations will run during the day and potentially into a second shift, depending on schedule and productivity, but piling activities will not take place at night.
- Demolition of existing structures will run 24 hours a day until completed and materials are cleared from the project site.
- 25 contingency weather days are included within the Schedule.
- Materials will be delivered to work zones as needed during daylight hours.
  - Overnight deliveries will be made to the jobsite utilizing the overnight runway shutdowns, when available, to bring in oversized/overweight materials via Gate 1 on LaGuardia Road into the airside space.
  - Port Authority and Airport Operations will be notified well in advance of any overnight deliveries.
  - Utilizing overnight deliveries via the airside space will reduce traffic congestion during the day and will allow a skeleton crew to set up materials for the next shift so the work can begin efficiently.
- Temporary offsite storage yards will be established as needed to have materials within close proximity of work zones.
- Deliveries will be managed daily due to the large volume of materials and frequency of trucks arriving at the site. Frequency issues can be mitigated slightly by arranging for nighttime deliveries as often as possible.

10.8.2 Airside construction imposes additional security constraints, including badging requirements for tradesmen and inspection requirements for material deliveries. LGP's phasing plan eliminates these constraints by maintaining landside construction work zones throughout the project.

## 10.0 SCHEDULE REVIEW

- 10.8.3 All work zones will be established as landside by providing perimeter barriers with chain link fencing and barbed wire around the established work zone. Defining these areas as landside permits work in these zones to run continuously and unimpeded – without interfering with airport operations.
- 10.8.4 Activities requiring use of airport runways can only occur between 11p.m. and 5a.m. However, these hours are not guaranteed due to uncontrollable factors such as delays, layovers, weather and airside operations, and are subject to change at the discretion of airport operations. All work requiring airside access will need to be coordinated with the Authority. To mitigate this risk, LGP's plan will allow for construction deliveries and debris removal over landside roadways when use of the runways is unavailable.
- 10.8.5 We can confirm that the current baseline schedule has been developed with a typical 5-day / week approach, without assuming work taking place over weekends or major holidays. As such, these measures remain available for use should the DBJV need to accelerate. The other typical approach in recovering a delayed schedule is the re-sequencing of activities, which is a tool very clearly at their disposal in this case given the sheer volume of activities in the schedule containing significant levels of float. Such activities by definition allow flexibility in their start and end dates, each offering possibilities for resequencing and shifting resources to make up for delayed work. We can however confirm the previous statements in our LTA reports that the schedule is put together in an extremely detailed fashion, especially with respect to where we are in the process, and there is a very clear ability to re-sequence and recover work should they experience any delays. Additionally, we would note that schedules are not constructed so that activity durations are "just in time" or inherently zero float themselves. They are given durations that allow an element of buffer, taking into account that the unique nature of all projects prevents each activity from being constructed in precisely the same duration as all other projects.
- 10.8.6 For further comfort, we note that in some cases, additional resources can be brought on board through subcontracting of certain work activities. While the DBJV's resources currently appear to be sufficient, subcontracting can sometimes be preferable in areas where the work is specialized and the challenges of increasing resources are excessive. Due to incremental increases in cost, this option is not always preferred unless other recovery methods are deemed impractical. If schedule slippage is detected, increasing working hours for the resources already on site is an option for small slippage, as one or two days of slippage can generally be made up within two weeks. These options include increasing shift length by one or two hours, or by working weekend days until the schedule is recovered.

### *Conclusions:*

*In the case that a delay occurs, the schedule retains built in contingencies that the DBJV may avail of. These include schedule acceleration by extending the conservatively assumed working week of 5 days in the current schedule to 6 or 7 day working weeks, extending shifts from 8 to 10 hours or by increasing to double shifts per day. We have also noted that an additional 25-day buffer is provided within the schedule for weather events which adds further capacity to absorb*

## 10.0 SCHEDULE REVIEW

*slowdowns without incurring overall Project delay. We consider these to be standard market practice, and we note no exceptions.*

### 10.9 Critical Path

10.9.1 We have received an update in .xer form of the LGA Draft Preliminary Baseline Schedule, with a data date of March 22, 2016, which allows actual analysis of the critical path, as relationships and dates are reviewed within the actual program utilized to create the schedule. Although additional adjustments and modifications are likely, which is typical for this phase of the project, the general critical path presented in the Project Phasing Plan and the Preliminary Baseline Schedule.

Certain minimal critical path activities are identified with a differing color or standard red identification. Although multiple items are identified as Critical Path, we understand through our ongoing discussions with the LGP scheduling team that the actual critical path, as indicated in the Project Phasing Plan is still being adjusted and modified as the schedule continues to develop prior to commencement of construction. There is no reason to doubt that the Proposer will provide this level of detail, based on the extensive information provided to date and the dedicated scheduling effort that has been demonstrated to us. In fact, the sequence of work relative to the creation of the schedule has progressed as expected, with the creation of the Phasing Plan, and the creation of the multiple activity schedule. At present, the final “for construction” schedule is all that remains to be completed. Considerable effort has been made to finalize this schedule to date, and the information provided is very nearly complete and is far beyond what is typically provided at this stage of procurement. Typically, construction schedules will not have been advanced to this level of detail by this point in a similar procurement, which provides further comfort.

Further, by providing the .xer P6 file, a detailed review of the relationships, logic, float and all the intricacies of the schedule could be reviewed in detail. As this is not typical to receive the actual .xer file, it further emphasizes LGP’s aim to provide transparency.

#### *Conclusion*

*The Project Phasing Plan and the Preliminary Baseline Schedules provided for review demonstrate a considerable amount of care and consideration relative to the timing, sequencing and phasing of the activities. Great care and importance has been placed on the interface between the phases, and the schedule provided reflects the importance of the phasing of the Work. We consider the development of the critical path to be appropriate for this stage of schedule development.*

### 10.10 LGP’s Schedule Narrative

10.10.1 The RFP requires the Proposer shall provide a narrative description of the Proposer’s strategies related to the development and implementation of the proposed schedule. The Proposer shall articulate its plan for communication, adherence and recovery strategies, so as to illustrate how it will maintain its proposed schedule. The narrative shall provide clear references and linkage to the project schedule and construction phasing prepared as a part of the Design

## 10.0 SCHEDULE REVIEW

Plan and Construction Plan. The narrative shall also provide details of the Proposer's approach to managing the schedule control mechanisms.

- 10.10.2 LGP has developed a Project Schedule brief that describes their strategy to delivering the Works as efficiently and as effectively as possible.
- 10.10.3 LGP will integrate design and construction activities in a planning process that combines CPM scheduling methodologies (Oracle Primavera Project Management P6), the Last Planner System and 4D simulation (Autodesk Navisworks). The Integrated Planning Process begins in schedule development, and continues throughout the life of the project to enable consistent schedule management, accurate updates, visualization and schedule adherence. The schedule will identify subcontractor activities and material suppliers, government approvals and will include work to be carried out by subcontractors and material suppliers, record Government Approvals, and track third-party coordination.
- 10.10.4 The Preliminary Project Baseline Schedule submitted in Section 8 of this proposal is based on LGP's design concept and will become the foundation for the project baseline schedule. It accounts for the individual components required to complete the work safely and efficiently, including manpower, constraints, assumptions, logistics and the means and methods necessary to support the work. In preparation for NTP, it will be further developed into a detailed Baseline Schedule through a series of interactive pull planning sessions that enables all trades and vendors to work together to reach key milestones. This process ensures the commitment and buy-in of all stakeholders, and allows the team to fully coordinate field activities before work begins.

### *Conclusions:*

*The LTA received a copy of LGP's methodology on their approach to developing and controlling the Project Schedule. The documentation is extremely detailed and advanced for this stage of the procurement process and is compliant with the requirements of the RFP.*

## 10.11 Comparable Projects

- 10.11.1 While the construction of airport facilities is common enough, the phasing, site conditions and procurement model for Terminal B Project make it a unique project. In that regard, benchmarking schedule durations can be misleading. Therefore, we have elected to focus on scope compliance, logic and sequencing rather than the facility as a whole.

### *Conclusions*

*The Project Schedule requirements are typical of the current market for similar procurements. The requirements are reasonable and achievable for an experienced DBJV.*

*LGP's schedule contains sufficient logic and activities to allow the Project to be designed and constructed as per its intent. The Project Schedule is highly detailed and provides appropriate sequence and timing of works so that the Substantial Completion Date can be achieved.*

## 10.0 SCHEDULE REVIEW

*With considerable coordination and sequencing required to maintain access and operations of the airport and its associated service items, detailed management and monitoring of the provided schedule should be continually performed throughout construction. Possible acceleration opportunities exist within the performance of the work, such as adding additional shifts and sequence maximization. We note that schedules are inherently dynamic documents and the Schedule will be reviewed and updated throughout the duration of the Project.*

## 11.0 PROJECT COST REVIEW

### 11.1 Introduction

- 11.1.1 As part of LGP's proposal submission, which was submitted to the Port Authority on May 20, 2014, LGP included a capital cost of \$2,443,611,977 for the P3 scope of the Project. Following the decision to name LGP as the Preferred Proposer, the Port Authority requested a number of scope changes that have had a significant effect on the capital cost of the Project.
- 11.1.2 In response to the scope changes requested by the Port Authority, the DBJV prepared and submitted a series of commitment letters and interim pricing updates, providing an evolving estimate for both the P3 and New Improvements scope of work. That process has now been completed, with the execution of the Interim Agreement on April 12, 2016.
- 11.1.3 The costs outlined in section 11.2 below are per the executed Interim Agreement and form the final fixed Contract Price under the DBC.

### 11.2 Adequacy of Capital Cost

- 11.2.1 This review of the P3 and New Improvements capital costs for the new Terminal B Project at LaGuardia Airport in the Borough of Queens, New York City, NY is based on the following Project information provided by Lessee:
- LGP Technical Proposal submission to the Port Authority, dated May 20, 2014;
  - Contract Price data: LGA - construction cost breakdown - Finalized Proposal model - 2016-04-06;
  - Contract Price data: Project Summary Final 2A only (PPP);
  - Contract Price data: Project Summary Final 2B only (NI);
  - Skanska Walsh Joint Venture Commitment Letter with Exhibits A through I, dated February 1, 2016;
  - Skanska Walsh Joint Venture Final LGA Conformed Estimate, Activity Unit Pricing Summary, dated February 10, 2016;
  - Skanska Walsh Joint Venture Cost Event Estimate Sheets, Interim Submissions 2 and 3; and
  - Meeting with DBJV estimating team on February 10, 2016.

## 11.0 PROJECT COST REVIEW

11.2.2 As of the DBJV's March 21, 2016 Finalized Proposal, the final fixed Contract Price is provided as follows.

Table 11.1: Contract Price (per March 21, 2016, Finalized Proposal)

Funding Component	Total Cost
P3	\$ 2,788,050,629
New Improvements	\$ 1,193,599,617
<b>Overall Contract Price</b>	<b>\$ 3,981,650,247</b>

11.2.3 An overview of the overall P3 and New Improvements components of the Contract Price are provided in Tables 11.2 and 11.3 below.

Table 11.2 – P3 Cost Overview

	Item	Total Cost \$	Gross Area ft <sup>2</sup>	Cost \$/ft <sup>2</sup>
A	Buildings	\$ 1,782,612,192	1,373,337 ft <sup>2</sup>	\$ 1,298.02 /ft <sup>2</sup>
B	Site Development	\$ 417,901,158	3,620,000 ft <sup>2</sup>	\$ 115 /ft <sup>2</sup>
	<b>Sub-Total Direct Construction Costs</b>	<b>\$ 2,200,513,350</b>	<b>1,373,337 ft<sup>2</sup></b>	<b>\$ 1,602.31 /ft<sup>2</sup></b>
C	General Conditions + General Requirements	\$ 444,517,150	n/a	n/a
	<b>Total Construction Cost</b>	<b>\$ 2,645,030,500</b>	<b>1,373,337 ft<sup>2</sup></b>	<b>\$ 1,925.99 /ft<sup>2</sup></b>
D	Design & Engineering	\$ 143,020,129	n/a	n/a
	<b>Total Construction Cost</b>	<b>\$ 2,788,050,629</b>	<b>1,373,337 ft<sup>2</sup></b>	<b>\$ 2,043.28 /ft<sup>2</sup></b>

## 11.0 PROJECT COST REVIEW

Table 11.3 – New Improvements Cost Overview

	Item	Total Cost \$
A	Buildings	\$ 296,713,897
B	Site Development	\$ 584,055,251
	<b>Sub-Total Direct Construction Costs</b>	<b>\$ 880,769,149</b>
C	General Conditions + General Requirements	\$ 192,887,677
	<b>Total Construction Cost</b>	<b>\$ 1,073,656,826</b>
D	Design & Engineering	\$ 119,942,792
	<b>Total Construction Cost</b>	<b>\$ 1,193,599,617</b>

*Conclusions:*

*Based on our earlier analysis of the P3 scope prior to LGP’s proposal submission, we anticipated the construction cost for P3 elements to fall within a range of \$2.100- \$2.540 billion. The final estimate of the P3 scope amounts to \$2.8 billion, which remains within a reasonable margin of our originally anticipated range with consideration also to evolved scope and inclusion of escalation since bid.*

*We are in receipt of the DBJV’s detailed estimate providing a detailed inventory of unit pricing for both P3 and New Improvements elements. We have further met with the DBJV’s estimating team to discuss the methodologies and assumptions underpinning the detailed estimates. From review of this we consider that the final Contract Price reflects similar methodologies for overhead and margin pricing used prior to LGP’s proposal submission. We further consider the unit pricing utilized throughout both P3 and New Improvements estimates to be generally reasonable.*

*Therefore, in our opinion, the Contract Price proposed by the DBJV is sufficient to complete the Project to satisfy the requirements of the DBJV’s design and the Lease, which includes the Requirements and Provisions for Work.*



## 11.0 PROJECT COST REVIEW

### 11.3 Schedule of Areas

11.3.1 The gross floor area (“GFA”) as provided by the DBJV is summarized as follows:

Table 11.4: Gross Floor Area Breakdown

Area	GFA ft <sup>2</sup>
Bridge to Concourse A 2015 Gross Area	24,549
Bridge to Concourse B 2015 Gross Area	22,729
Concourse A 2015 Gross Area	220,658
Concourse B 2015 Total Gross Area	268,805
Terminal B (Headhouse) 2015 Total Gross Area:	810,871
West Garage Connector	25,725
Building 30	16,959
Central Hall	74,523
CHRP	67,656

### 11.4 Construction Cost Breakdown

11.4.1 Tables 11.5 and 11.6 below provide summary breakdowns of the total P3 and New Improvements capital costs as provided by the Finalized Proposal. The DBJV has provided very detailed trade breakdowns, unit pricing and productivity assumptions upon which our analysis is based, but will not summarize here due to length.

11.4.2 The total capital costs include site based general conditions, phasing allowances, contractor’s fees, insurances, trade bonding costs and escalation.

## 11.0 PROJECT COST REVIEW

Table 11.5: Total P3 Construction Cost Breakdown

DESCRIPTION	Terminal		Airside			Landside		CHRP	CRWD	Total	
	Terminal (incl elevated ped connector)	Airside Ramps	Airside Utilities	Hydrant Fueling	Terminal Frontage Roads	Temp Taxihold	CHRP	CRWD (X-Ray Building)	\$	%	
A10 FOUNDATION	120,595,939.26				62,964,796.03		15,777,194.48		199,337,929.77	7.15%	
A20 BASEMENT CONSTRUCTION	150,375.53								150,375.53	0.01%	
B10 SUPERSTRUCTURE	255,446,571.90						23,896,413.06		279,342,984.96	10.02%	
B20 EXTERIOR CLOSURE	171,902,698.69						13,492,965.78		185,395,664.47	6.65%	
B30 ROOFING	54,079,663.60						2,015,438.86		56,095,102.46	2.01%	
C10 INTERIOR CONSTRUCTION	85,416,077.25						2,417,752.27		87,833,829.52	3.15%	
C20 STAIRS	3,419,654.75								3,419,654.75	0.12%	
C30 INTERIOR FINISHES	66,021,284.14						1,639,047.21		67,660,331.35	2.43%	
D10 CONVEYING	74,644,278.06						687,481.19		75,331,759.25	2.70%	
D20 PLUMBING	40,398,811.81						3,687,142.28		44,085,954.09	1.58%	
D30 HVAC	135,422,285.41						48,836,454.66		184,258,740.07	6.61%	
D40 FIRE PROTECTION	23,284,360.19						1,909,025.71		25,193,385.90	0.90%	
D50 ELECTRICAL	324,590,653.59		26,689,228.06	102,509.18	6,035,831.18		20,439,066.08	1,272,017.21	379,129,305.30	13.60%	
E10 EQUIPMENT	160,484,517.82	9,585,759.64	2,262,812.95	16,455,390.65					188,788,481.06	6.77%	
E20 FURNISHINGS	5,863,792.53						170,815.88		6,034,608.41	0.22%	
F10 SPECIAL CONSTRUCTION							554,085.44		554,085.44	0.02%	
F20 SELECTIVE BUILDING DEMOLITION	137,839,105.21					786,148.13			138,625,253.34	4.97%	
G10 SITE PREPARATION	5,317,877.94	37,904,132.18			1,322,643.84				44,544,653.96	1.60%	
G20 SITE IMPROVEMENTS	66,106.13	107,106,119.17	74,370,798.96		50,774,207.94		2,414,018.61		234,731,250.81	8.42%	
<b>SUBTOTAL</b>	<b>1,664,944,053.81</b>	<b>154,596,010.99</b>	<b>103,322,839.97</b>	<b>16,557,899.83</b>	<b>121,097,478.99</b>	<b>786,148.13</b>	<b>137,936,901.51</b>	<b>1,272,017.21</b>	<b>2,200,513,350.44</b>	<b>78.93%</b>	
GENERAL CONDITIONS	167,938,397.58	15,389,785.06	10,511,773.36	1,646,581.86	12,333,697.11	78,177.62	13,922,855.75		221,821,268.34	7.96%	
<b>SUBTOTAL DIRECT (2016 DOLLARS)</b>	<b>1,832,882,451.39</b>	<b>169,985,796.05</b>	<b>113,834,613.33</b>	<b>18,204,481.69</b>	<b>133,431,176.10</b>	<b>864,325.75</b>	<b>151,859,757.26</b>	<b>1,272,017.21</b>	<b>2,422,334,618.78</b>	<b>86.88%</b>	
Design Contingency	52,850,404.95	4,901,469.90	3,282,373.84	524,918.68	3,847,432.60	24,922.47	4,378,813.09	36,678.09	69,847,013.62	2.51%	
Construction Contingency	54,435,916.50	5,048,513.94	3,380,845.02	540,666.23	3,962,855.53	25,670.15	4,510,177.43	37,778.43	71,942,423.23	2.58%	
Escalation	53,520,167.65	4,963,585.25	3,323,970.71	531,570.87	3,896,190.35	25,238.31	4,434,304.92	37,142.90	70,732,170.96	2.54%	
Bonds - e.g. Performance and Payment	7,698,460.57	713,973.20	478,127.38	76,462.34	560,436.73	3,630.34	637,840.33	5,342.72	10,174,273.61	0.36%	
<b>TOTAL CONSTRUCTION</b>	<b>2,001,387,401.07</b>	<b>185,613,338.34</b>	<b>124,299,930.28</b>	<b>19,878,099.81</b>	<b>145,698,091.31</b>	<b>943,787.02</b>	<b>165,820,893.03</b>	<b>1,388,959.35</b>	<b>2,645,030,500.21</b>	<b>7.99%</b>	
Design (Includes Engineering)	109,678,856.06	10,005,294.70	6,631,154.45	1,070,485.18	8,018,453.40	50,825.28	7,565,059.96		143,020,129.01	5.13%	
<b>TOTAL DESIGN AND CONSTRUCTION COST</b>	<b>2,111,066,257.13</b>	<b>195,618,633.03</b>	<b>130,931,084.72</b>	<b>20,948,584.98</b>	<b>153,716,544.71</b>	<b>994,612.30</b>	<b>173,385,952.99</b>	<b>1,388,959.35</b>	<b>2,788,050,629.21</b>	<b>100.00%</b>	

**11.0 PROJECT COST REVIEW**

Table 11.5: Total New Improvements Construction Cost Breakdown

Description	Port Authority Airfield Modifications (outside Leasehold)	Building 30 Fitout and Coordination/ Assistance with Relocation of Port Authority Staff	West Garage Foundation and Structure	Landside Utilities	New CTB Critical Roads and Bridges (Including Associated Utilities)	Remaining Roads and Bridges (Including Associated Utilities)	New CTB Facilities; New CHRP, CRWD; New Pedestrian Walkway	Central Hall PNTF	Building 30 Fitout and Coordination/ Assistance with Relocation of Port Authority Staff	West Garage Foundation and Structure	Landside Utilities	New CTB Critical Roads and Bridges (Including Associated Utilities)	Remaining Roads and Bridges (Including Associated Utilities)	Central Hall	Total \$	Total %
A10 FOUNDATIONS									\$75,574.12	\$9,357,824.16				\$20,735,599.05	\$30,168,997.33	2.53%
A20 BASEMENT CONSTRUCTION									\$108,715.00	\$50,032.00					\$158,747.00	0.01%
B10 SUPERSTRUCTURE									\$106,934.48	\$41,013,028.04				\$63,352,513.97	\$104,472,476.49	8.75%
B20 EXTERIOR CLOSURE									\$1,605,452.32	\$18,143,013.20				\$43,589,500.44	\$63,337,965.96	5.31%
B30 ROOFING									\$524,831.59	\$247,087.00				\$4,171,271.96	\$4,943,190.56	0.41%
C10 INTERIOR CONSTRUCTION									\$777,029.22	\$8,340,434.81				\$7,349,888.35	\$16,467,352.38	1.38%
C20 STAIRS									\$20,790.06	\$836,374.00				\$224,901.19	\$1,082,065.24	0.09%
C30 INTERIOR FINISHES									\$416,091.58	\$1,971,769.83				\$3,339,249.94	\$5,727,111.34	0.48%
D10 CONVEYING									\$215,091.00	\$2,463,447.00				\$135,742.35	\$2,814,280.35	0.24%
D20 PLUMBING									\$498,560.87	\$3,071,844.85	\$286,673.57			\$925,070.28	\$4,781,949.56	0.40%
D30 HVAC									\$1,555,116.03	\$1,241,257.53				\$7,942,889.17	\$10,739,262.72	0.90%
D40 FIRE PROTECTION									\$581,238.09	\$6,150,545.36				\$1,141,484.17	\$7,873,267.61	0.66%
D50 ELECTRICAL									\$2,326,693.96	\$19,674,385.13				\$15,077,410.13	\$37,078,489.21	3.11%
E10 EQUIPMENT										\$1,507,506.00					\$1,507,506.00	0.13%
E20 FURNISHINGS									\$484,570.11	\$40,038.00				\$583,589.14	\$583,589.14	0.05%
F10 SPECIAL CONSTRUCTION									\$3,091,523.60						\$3,091,523.60	0.26%
F20 SELECTIVE BUILDING DEMOLITION									\$490,690.34					\$1,395,432.37	\$1,886,122.71	0.16%
G10 SITE PREPERATION	\$2,623,771.00							\$4,978,452.27		\$2,611,558.00	\$76,774,008.44	\$29,197,056.65	\$12,209,119.71	\$1,149,426.15	\$124,564,939.96	10.44%
G20 SITE IMPROVEMENTS	\$4,791,516.00									\$9,535,249.00	\$67,242,651.42	\$223,601,781.89	\$92,731,043.00	\$61,588,070.01	\$459,490,311.32	38.50%
<b>SUBTOTAL</b>	<b>\$7,415,287.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$12,878,902.37</b>	<b>\$126,255,193.89</b>	<b>\$144,303,333.43</b>	<b>\$252,798,838.54</b>	<b>\$104,940,162.71</b>	<b>\$232,177,430.54</b>	<b>\$880,769,148.48</b>	<b>\$1,000,549,527.60</b>	<b>73.79%</b>
GENERAL CONDITIONS	\$642,628.00							\$1,765,278.17	\$20,049,525.44	\$18,078,062.83	\$41,553,116.36	\$16,299,687.51	\$16,413,628.53	\$119,780,379.12	\$119,780,379.12	10.04%
<b>SUBTOTAL DIRECT (2016 Dollars)</b>	<b>\$8,057,915.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$4,978,452.27</b>	<b>\$14,644,180.54</b>	<b>\$146,304,719.34</b>	<b>\$162,381,396.26</b>	<b>\$294,351,954.90</b>	<b>\$121,239,850.22</b>	<b>\$248,591,059.08</b>	<b>\$1,000,549,527.60</b>	<b>83.83%</b>
Design Contingency	\$76,864.69								\$139,691.30	\$1,395,605.10	\$1,548,961.00	\$2,807,832.10	\$1,156,510.60	\$2,371,317.60	\$9,496,782.35	0.80%
Construction Contingency	\$115,297.08								\$209,537.00	\$2,093,408.40	\$2,323,442.30	\$4,211,749.70	\$1,734,766.50	\$3,556,977.60	\$14,245,178.52	1.19%
Escalation	\$353,134.10								\$358,880.50	\$3,585,445.10	\$3,979,431.30	\$7,213,593.60	\$2,971,188.00	\$6,092,145.30	\$24,553,817.89	2.06%
Bonds - e.g. Performance and Payment	\$29,514.69								\$52,668.50	\$526,191.80	\$584,012.30	\$1,058,650.70	\$436,044.80	\$894,069.40	\$3,581,152.26	0.30%
<b>TOTAL CONSTRUCTION</b>	<b>\$8,632,725.56</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$4,978,452.27</b>	<b>\$15,404,957.76</b>	<b>\$153,905,369.77</b>	<b>\$170,817,243.28</b>	<b>\$309,643,780.93</b>	<b>\$127,538,360.11</b>	<b>\$261,505,568.95</b>	<b>\$1,052,426,458.63</b>	<b>88.17%</b>
Design (includes Engineering)	\$25,625.00	\$638,000.00	\$5,022,000.00	\$1,318,000.00	\$7,074,000.00	\$3,917,000.00		\$13,694,525.73	\$948,798.31	\$934,685.24	\$6,783,932.21	\$17,035,423.15	\$6,309,213.14	\$24,442,589.17	\$88,143,791.95	7.38%
<b>TOTAL DESIGN (includes Engineering)</b>	<b>\$25,625.00</b>	<b>\$638,000.00</b>	<b>\$5,022,000.00</b>	<b>\$1,318,000.00</b>	<b>\$7,074,000.00</b>	<b>\$3,917,000.00</b>	<b>\$0.00</b>	<b>\$13,694,525.73</b>	<b>\$948,798.31</b>	<b>\$934,685.24</b>	<b>\$6,783,932.21</b>	<b>\$17,035,423.15</b>	<b>\$6,309,213.14</b>	<b>\$24,442,589.17</b>	<b>\$88,143,791.95</b>	<b>7.38%</b>
[Other Design and Construction Related Items]		\$4,913,000.00	\$805,000.00	\$4,344,000.00		\$10,637,000.00									\$20,699,000.00	1.73%
<b>TOTAL OTHER DESIGN AND CONSTRUCTION RELATED ITEMS</b>	<b>\$0.00</b>	<b>\$4,913,000.00</b>	<b>\$805,000.00</b>	<b>\$4,344,000.00</b>	<b>\$0.00</b>	<b>\$10,637,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$20,699,000.00</b>	<b>1.73%</b>
Code Compliance Work							\$11,100,000.00								\$11,100,000.00	0.93%
<b>TOTAL DESIGN AND CONSTRUCTION COST</b>	<b>\$8,658,350.56</b>	<b>\$5,551,000.00</b>	<b>\$5,827,000.00</b>	<b>\$5,662,000.00</b>	<b>\$7,074,000.00</b>	<b>\$14,554,000.00</b>	<b>\$11,100,000.00</b>	<b>\$18,672,978.00</b>	<b>\$16,353,756.07</b>	<b>\$154,840,055.01</b>	<b>\$177,601,175.49</b>	<b>\$326,679,204.08</b>	<b>\$133,847,573.25</b>	<b>\$285,948,158.12</b>	<b>\$1,172,369,250.58</b>	<b>98.22%</b>
Allowances															\$21,230,366.80	1.78%
<b>TOTAL COST</b>	<b>\$8,658,350.56</b>	<b>\$5,551,000.00</b>	<b>\$5,827,000.00</b>	<b>\$5,662,000.00</b>	<b>\$7,074,000.00</b>	<b>\$14,554,000.00</b>	<b>\$11,100,000.00</b>	<b>\$18,672,978.00</b>	<b>\$16,353,756.07</b>	<b>\$154,840,055.01</b>	<b>\$177,601,175.49</b>	<b>\$326,679,204.08</b>	<b>\$133,847,573.25</b>	<b>\$285,948,158.12</b>	<b>\$1,193,599,617.38</b>	<b>100.00%</b>

## 11.0 PROJECT COST REVIEW

- 11.4.3 Specifically, with respect to the major trades (that is, Structural Steel, Curtain Wall, Reinforcing Steel, Mechanical and Electrical) we find the unit pricing proposed within the range acceptable for this project in this location.
- 11.4.4 We note that the allowances for contingencies, escalation and bonding have made available. We note that separate contingency amounts have been allowed for design, construction and escalation which we consider appropriate. Combined, we consider the contingency level to be robust.

### *Conclusions:*

*In our opinion, the P3 and New Improvements cost breakdown is acceptable to complete the Project and the DBJV has considered a fair degree of market conditions in the construction industry.*

## 11.5 Pricing Levels

- 11.5.1 The DBJV has provided a detailed breakdown and means to assess unit rates adopted for developing the construction cost estimates. The level of detail provided in the estimates is in a significant level of detail.
- 11.5.2 BTY Group maintains a customized database of unit costs for materials, labour and subcontracts that is continually updated based upon the most current Canadian and US construction cost data. Our database is up-to-date and maintained utilizing data from estimated, tendered and completed project costs from all across North America. We are able to assess and determine appropriate unit costs that allow for regional variations; these include remote locations, premiums due to inefficiencies, transportation costs, limited trade contractor availability and appropriate productivity.
- 11.5.3 We have performed an independent pricing verification exercise on the P3 and New Improvements capital costs. Based on the latest drawing packages we performed quantity take off measurements to spot check the detailed quantities provided by the DBJV. Upon satisfying ourselves that the quantities provided are reasonable we further assessed the unit pricing and resulting costs under the UniFormat breakdown.

## 11.6 Benchmarking

- 11.6.1 While the construction of airport facilities is common enough, the phasing, site conditions and procurement model for Terminal B Project make it a unique project. In that regard, benchmarking derived costs can be misleading. Therefore, we have elected to focus on benchmarking individual unit rates rather than the facility as a whole.
- 11.6.2 While some minor deviations in the benchmark range of unit prices was identified, overall we found the unit rates to be within the anticipated range.

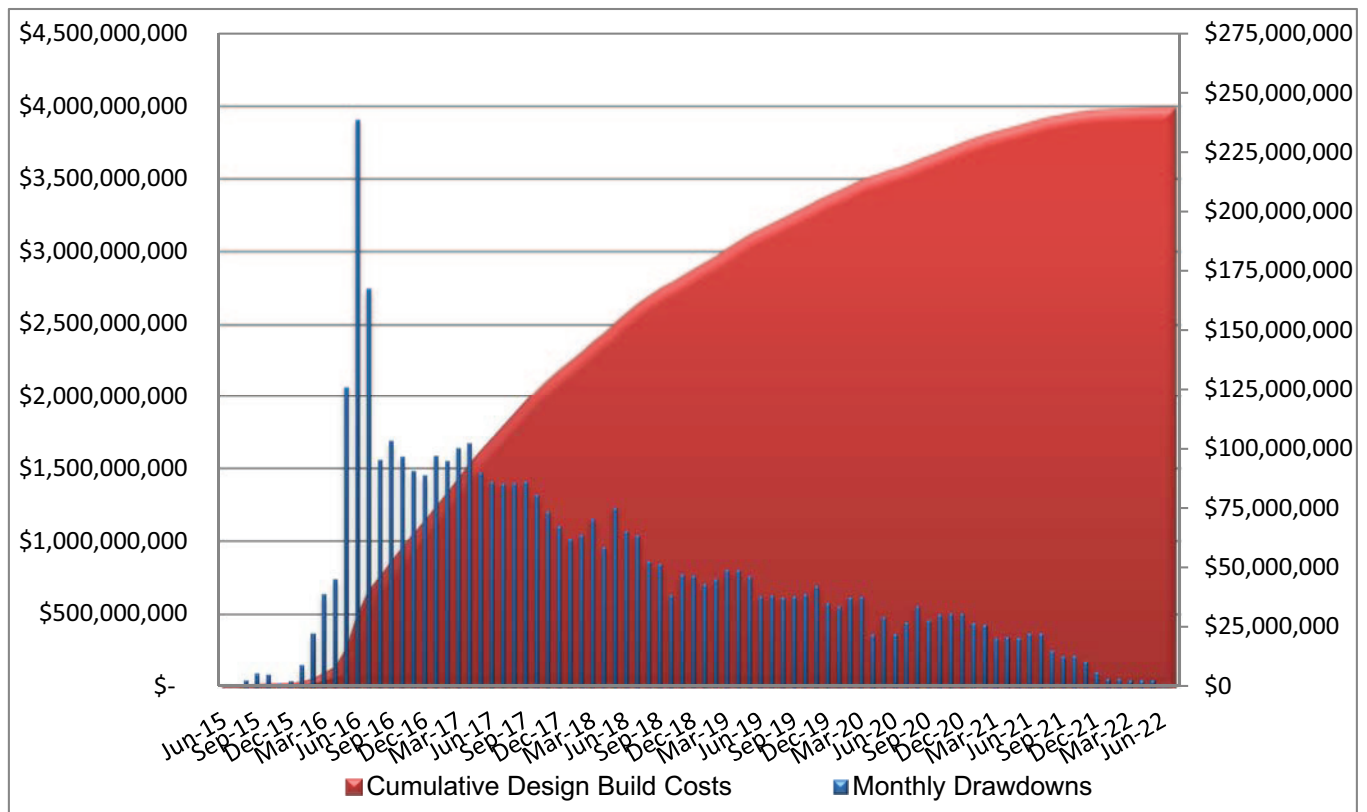
## 11.7 Taxes

- 11.7.1 The Construction Cost excludes New York State Tax ("NYS Tax") where applicable.

## 11.0 PROJECT COST REVIEW

### 11.8 Project Cash Flow

- 11.8.1 We have received the construction cash flow which is based on a construction cost of \$3,981,650,247 over the total construction period of 73 months. This total includes both the P3 and New Improvements scope.
- 11.8.2 Based on the cash flow provided, the DBJV is in a reasonable cash flow position for the duration of the project. The cash flow illustrates a sharp rise in monthly expenditures for the first 3 months immediately following Financial Close. Relatively high levels of expenditure continue for approximately 15 months before steadily decreasing for the balance of the construction period.
- 11.8.3 A minor peak in expenditure occurs in the months leading to the completion of Concourse B1. Slight peaks and troughs continue throughout the duration, but without significant correlation to major New Facilities Construction Milestones.
- 11.8.4 We have reviewed the cash flow and reconciled both the cumulative and monthly draw values for each project phase against our own cash flow and S-curve analysis and we consider that the project cash flow is reasonable and in line with what we would expect for projects of this nature.
- 11.8.5 The following graph details the proposed cash flow for the Project for both cumulative and progressive draws:



## 11.0 PROJECT COST REVIEW

### *Conclusions:*

*The unit costs provided in the DBJV's estimate are within the anticipated range for projects of this type, size, and use in the New York City area.*

*It is our view that the budget proposed by LGP is within the anticipated range and should be sufficient to complete a project of this nature without incurring any additional costs. This view is based on the current design per the Interim Agreement dated April 12, 2016.*

*Finally, we consider that the project cash flow will permit the procurement and level of construction activity as detailed in the project schedule.*

*Overall, we are of the opinion that the Contract Price proposed by the DBJV is appropriate and sufficient to complete the Project.*

## 12.0 FACILITIES MANAGEMENT REVIEW

### 12.1 *Contractual Obligations*

- 12.1.1 This section of the report will review the arrangements for the provision of the Facilities Management Service delivery and will identify the services to be provided against the services delivery methodology and any areas that may present any form of risk potential throughout the concession period.
- 12.1.2 We have made every effort to cover the main elements normally associated with Lenders Technical Advisory FM Due Diligence.
- 12.1.3 In preparing this section of the report the following documents were reviewed:
- Management Services Contract April, 2016; and
  - Stantec updated LCA report April 11, 2016; and
  - LaGuardia Gateway Partners (LGP) Statement of Qualifications, Section 3 (Management & Operations) to the original RFQ #31224 (undated).
- 12.1.4 The scope is to deliver project specific facilities management services in the operations and maintenance of the Existing Terminal B during construction and New Terminal B, the existing CHRP, the New CHRP and the CRWD, once completed respectively.
- 12.1.5 The areas of service are detailed in the Requirements and Provisions for Work (“RPW”) as follows:
- Curbside – Departure Level
  - Curbside – Arrivals Level
  - Flight Check-in (Departure Level)
  - Product delivery and Waste Removal
  - Baggage Claim Areas (Arrival Level)
  - Passenger and Baggage Screening Areas
  - Waste Removal
  - Terminal janitorial services;
  - Equipment and system maintenance, including baggage systems, loading bridges,
  - HVAC and plumbing
  - Display systems for flights, baggage and gates
  - Public Announcement systems
  - Common Use Terminal Equipment / Common use self-service systems
  - Terminal operations, including but not limited to passenger service functions such as skycaps/porters and wheelchair services
  - Gate scheduling and ramp control, consistent with Authority polices.
  - Snow clearing
  - Pest Control

## 12.0 FACILITIES MANAGEMENT REVIEW

12.1.6 All operation and maintenance works shall be carried out and should comply with:

- Best management practice;
- Terms and conditions as set out in the Lease;
- All applicable laws and applicable standards;
- Requirements, terms and conditions set forth in all government approvals;
- Airport Performance Measurement Program;
- Customer Care Standards;
- City and State building codes and ordinances;
- Tenant Security Plan or, if given another name, the lease provisions requiring the Lessee to comply with Department of Transportation Security Regulations 49 CFR Parts 1520 and 1542; and
- Airport Operating Certificate (and the corresponding requirements of 14 CFR Part 139).

12.1.7 In addition, LGP are required to organize (on a semi-annual basis) a management and operations stakeholder committee which will include representation from LGP, the Port Authority, the Airline sub-lessees and other stakeholders.

12.1.8 Execution of the operation and maintenance works shall be in accordance and compliance with the US Green Building Council LEED requirements for existing buildings: Operation and Maintenance Rating system, with a target rating of Gold.

12.1.9 LGP will be required to adhere to the latest requirements and mandates as imposed by Transportation Security Administration ("TSA") and be familiar with all TSA rules and regulations. LGP are required to have 24/7 'operational readiness' to support the mission of the TSA.

## 12.2 O&M Phases

12.2.1 The Operations and Maintenance work is scheduled into three distinct time periods as follows:

- *Initial O&M period,*  
That being the period from the lease commencement date continuing until commencement of operations of any portions on the New Facilities;
- *The Phased Construction O&M Period.*  
That being the period after the Initial O&M period, whereby LGP will be responsible for the performance of all operations and maintenance work during the phased construction period; and
- *The O&M Period*  
After the Phased Construction O&M Period, LGP shall be responsible for and shall continue performance of all operations and maintenance work during the O&M period.



## 12.0 FACILITIES MANAGEMENT REVIEW

### 12.3 *Operation & Maintenance Approach*

12.3.1 LGP will be directly responsible for all operations and maintenance work required under the Lease during the entire Lease Term. The following is an overview on LGP's approach to Operations and Maintenance.

12.3.2 To minimize disruption to services in the existing Terminal B, LGP intend to maintain existing service contracts during the transfer process and identify opportunities for enhanced service levels and cost efficiency.

12.3.3 Existing services currently outsourced for the existing Terminal B include (not an exhaustive list):

- Janitorial Services – Guardian Services Industries (labor and supplies for common spaces)
- Apron Snow removal – Aero Snow removal Corp (labor and supplies for common spaces)
- Maintenance of vertical circulation devices (escalators and elevators)
- Provision and maintenance of the Flight Information Display System (FIDS), etc.
- Security
- Waste removal and recycling
- Pest Management services

12.3.4 To manage the various service requirements in the Existing Terminal B, LGP intend to establish an operations center to manage daily operations. The operations center will coordinate monitoring/service security, life safety, building management and baggage systems, information sharing and staff/contractor dispatch. It will provide a single point of contact to which all airline and tenant operational concerns can be addressed.

12.3.5 LGP intend to implement a quality management system to measure performance and maintain standards of service for both the Existing Terminal B and the New Terminal B.

12.3.6 To ensure key operational processes are documented, trained and continuously updated, LGP will establish performance metrics for all aspects of the New Terminal B operations. Achievements will be measured against these metrics and corrective action plans implemented where shortfalls are identified.

12.3.7 To further enhance operations and maintenance and ensure efficiencies are realized, LGP intend to:

- implement a preventative maintenance program;
- carry out general facility maintenance and repairs with in-house staff working on a 24/7 shift rotation;
- route all maintenance calls through the centralized operations center located in the head house;
- utilize a maintenance management software system to assist with asset management. The system will adopt an integrated approach whereby it will allow free flow of data and allow asset lifecycle costs to be determined efficiently;
- operate a centralized maintenance planning system so that maintenance activities are planned, executed, and controlled for quality. LGP further

## 12.0 FACILITIES MANAGEMENT REVIEW

propose to ensure that preventative maintenance activities are planned a minimum of 4 to 6 weeks in advance to minimize operational impact and ensure all required materials are present for the work;

- utilize regular training programs with the various stakeholder groups to maintain a culture of care throughout the airport community; and
- ensure that all airport contracts have clearly defined service level expectations. Contract managers will be assigned to manage each contract.

12.3.8 The LGP Initial Organization Structure is detailed in Appendix C.

### 12.4 *Operation & Maintenance Costs*

12.4.1 LGP prepared their costs for Operating and Maintenance (“O&M”) in order to gain a long-term understanding of the potential costs of operating the Existing Terminal B and the New Terminal B through the term of the lease.

12.4.2 O&M costs include those expenses incurred by the Lessee related to operating and maintaining the Existing Terminal B and the New Terminal B. The O&M estimates produced do not include costs directly incurred by airlines, costs directly incurred by concessionaires, or any Port Authority costs not charged back to the Lessee. In general, the costs include O&M expenses associated with the New and Existing Terminal Bs, the CHRP, and within the lease boundary of the apron. Certain costs associated with building the New Terminal B are included in the O&M model but broken out separately as capitalized costs. The allocation of these costs is described below.

12.4.3 As part of the review process LGP reviewed historic data provided by the Port Authority for 2007 through 2012. The total direct operating costs reported by the Port Authority ranged from approximately \$12 million to \$15 million.

12.4.4 It is understood that LGP extracted information from the historical cost estimates, however state that these costs are not believed to be reflective of what it will cost as Lessee to operate the Existing Terminal B. LGP has assumed that some costs, comprising largely of personnel, are being incurred as overhead for the Port Authority and therefore are not included in the Existing Terminal B reported costs.

12.4.5 In preparing their overall O&M budget, LGP has highlighted six main areas of cost associated with the ‘Operations and Maintenance’ components:

#### 1. Personnel

For the Existing Terminal B, the Port Authority is currently responsible to maintain common systems and assets, and reports 12 Full Time Equivalent (“FTEs”) including security, maintenance and administrative staff. Upon lease commencement, LGP will be responsible to maintain common systems and assets. It is the intent that no personnel will be transferred from the Port Authority to the Lessee. An allowance is included in the budget for six months of transition and training.

For the New Terminal B, LGP has produced an organizational structure (see above) that was developed by Manager.

The table below shows the yearly O&M personnel expenses between 2016 and 2021. Estimated personnel costs are approximately \$8.2 million in 2016 (a partial year) and peak at approximately \$21.5 million in 2021.

## 12.0 FACILITIES MANAGEMENT REVIEW

Table 12.1: O&M Personnel Budgets

Year	2016	2017	2018	2019	2020	2021
<b>O&amp;M Personnel</b>						
Existing Terminal B	\$4,857,963	\$8,785,895	\$8,338,039	\$8,008,600	\$2,561,456	\$1,518,588
New Facilities	\$3,329,559	\$5,882,817	\$7,861,449	\$10,956,452	\$18,754,218	\$20,009,541
<b>Total Personnel Costs</b>	<b>\$8,187,523</b>	<b>\$14,668,712</b>	<b>\$16,199,488</b>	<b>\$18,965,053</b>	<b>\$21,315,674</b>	<b>\$21,528,129</b>

The reported methodology used for allocating time between the Existing Terminal B and New Terminal B used the proportion of terminal square footage as the base. In addition, there were assumptions provided by Manager for the percent of an individual's time spent on the New Terminal B above that being distributed based on square footage of the terminals.

### 2. Repair and Maintenance

For the Existing Terminal B, the Port Authority is responsible to maintain common systems and assets. Upon commencement of the Lease, LGP will assume this responsibility. The airlines maintain airline-specific systems and assets, including passenger loading bridges (except PLBs at Gates B4 and B5 which will revert to LGP and will become their responsibility to maintain), airline-specific mechanical systems, hold room fixtures, Flight Information Display System ("FIDS"), and kiosks.

For the New Terminal B, repair and maintenance costs for all common-use systems and assets will be maintained by the Lessee, however, these cost will be imposed on the airlines or concessionaires in the form of charges or fees.

Repair and Maintenance costs for the Existing Terminal B are summarized as follows;

Table 12.2: Existing Terminal B O&M Budgets

Year - Existing Terminal	2016	2017	2018	2019	2020	2021
<b>Repair &amp; Maintenance</b>						
<b>Stantec Life Cycle Output - Existing CTB</b>						
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	\$57,217	\$98,086	\$98,086	\$98,086	\$40,869	\$0
Security Access Control System	\$11,971	\$20,521	\$20,521	\$20,521	\$8,551	\$0
Structural Landside; Elevated Structures; Terminal Components	\$83,229	\$142,679	\$142,679	\$142,679	\$133,169	\$71,875
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	\$347,983	\$596,541	\$596,541	\$596,541	\$428,050	\$190,085
Electrical - Circulation; Moving walkways, escalators; Elevators	\$93,978	\$161,105	\$161,105	\$161,105	\$143,287	\$65,280
Electrical; Substation Equipment and Controls	\$229,646	\$393,679	\$393,679	\$393,679	\$172,596	\$7,340
Building Envelope; Exterior Enclosure; Roofing	\$158,924	\$272,442	\$272,442	\$272,442	\$258,557	\$175,301
Baggage Handling; Make-up Systems; Baggage Claim Carousels and Conveyors	\$91,113	\$156,193	\$156,193	\$156,193	\$141,097	\$65,157
Civil Roadways - Pavement; Landside and Airside Pavement	\$73,911	\$126,705	\$126,705	\$126,705	\$76,303	\$20,151
Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System	\$28,634	\$49,088	\$49,088	\$49,088	\$20,453	\$0
Underground and Above Ground Tank Systems	\$106,225	\$182,101	\$182,101	\$182,101	\$164,557	\$78,418
Converted Gates	\$150,000	\$360,000	\$300,000	\$165,000	\$330,000	159 \$0

## 12.0 FACILITIES MANAGEMENT REVIEW

Initial Improvements - Existing CTB RM3	\$5,100,500	\$0	\$0	\$0	\$0	\$0
<b>Subtotal - Repair &amp; Maintenance - Existing CTB</b>	<b>\$6,533,331</b>	<b>\$2,559,140</b>	<b>\$2,499,140</b>	<b>\$2,364,140</b>	<b>\$1,917,491</b>	<b>\$673,607</b>

Repair and Maintenance costs for the New Terminal B are summarized as follows;

Table 12.3: New Terminal B O&M Budgets

Year - New Terminal	2016	2017	2018	2019	2020	2021
<b>Repair &amp; Maintenance</b>						
<b>Stantec Life Cycle Output - New Terminal B</b>						
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	\$0	\$0	\$6,413	\$6,413	\$118,328	\$230,243
Security Access Control System	\$0	\$0	\$0	\$0	\$10,660	\$21,320
Structural Landside; Elevated Structures; Terminal Components	\$0	\$0	\$23,181	\$23,181	\$349,453	\$675,726
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	\$0	\$0	\$134,600	\$134,600	\$417,403	\$700,207
Electrical - Circulation; Moving walkways, escalators; Elevators	\$0	\$0	\$58,687	\$58,687	\$489,494	\$920,302
Electrical; Substation Equipment and Controls	\$0	\$0	\$12,972	\$12,972	\$730,732	\$1,448,492
Building Envelope; Exterior Enclosure; Roofing	\$0	\$0	\$12,633	\$12,633	\$33,525	\$54,416
Baggage Handling; Make-up Systems; Baggage Claim Carousels and Conveyors	\$0	\$0	\$0	\$0	\$697,235	\$1,394,470
Civil Roadways - Pavement; Landside and Airside Pavement	\$0	\$0	\$0	\$0	\$0	\$0
Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System	\$0	\$0	\$51,885	\$51,885	\$84,223	\$116,561
Underground and Above Ground Tank Systems	\$0	\$0	\$0	\$0	\$0	\$0
<b>IT Infrastructure</b>						
Lessee's Network (LNET) (IT Item 3.2) RM5	\$0	\$85,688	\$146,894	\$265,226	\$244,824	\$244,824
Security Video Surveillance System (IT Item 5.1) RM6	\$0	\$0	\$27,052	\$59,812	\$221,214	\$244,539
Passenger Processing System	\$0	\$0	\$0	\$0	\$0	\$0
Passenger Processing System (IT Item 12.2) RM7	\$0	\$0	\$0	\$0	\$0	\$0
Passenger Processing System - Consumables (IT Item 12.2) OS5	\$0	\$0	\$0	\$0	\$0	\$0
Passenger Processing System (IT Item 12.2) RM7	\$0	\$0	\$74,382	\$127,513	\$127,513	\$127,513
Capital Asset Management (IT Item 13.7)	\$0	\$0	\$5,410	\$11,962	\$44,243	\$48,908
Kiosks (IT Item 12.1)	\$0	\$0	\$22,940	\$50,721	\$187,590	\$207,369
<b>Subtotal - Repair &amp; Maintenance - New Terminal B</b>	<b>\$0</b>	<b>\$85,688</b>	<b>\$577,049</b>	<b>\$815,605</b>	<b>\$3,756,436</b>	<b>\$6,434,889</b>

### 3. Outsourced Services

Outsourced contracts include janitorial services and apron snow removal costs. Additional outsourced services contracts are understood to include asset maintenance, such as elevators, escalators, and passenger loading bridges. LGP intends the

## 12.0 FACILITIES MANAGEMENT REVIEW

currently outsourced services will continue to be outsourced. All outsourced contracts will follow a formal procurement process based on industry best practices.

The Existing Terminal B outsourced service expenses for 2016 through 2021 are shown in the table below;

Table 12.4: Existing Terminal B Outsourced Service Budgets

Year - Existing Terminal	2016	2017	2018	2019	2020	2021
<b>Outsourced</b>						
<b>Existing CTB Outsourced Services</b>						
Cleaning and Sanitation-Related Services	\$0	\$0	\$0	\$0	\$0	\$0
Janitorial - Existing CTB OS1	\$3,068,370	\$5,260,063	\$4,736,667	\$4,362,813	\$2,666,161	\$1,750,025
Waste and recycling removal - Existing CTB	\$208,270	\$357,035	\$316,269	\$270,234	\$121,287	\$81,878
Pest removal - Existing CTB	\$61,743	\$105,846	\$93,760	\$80,113	\$35,956	\$24,273
Septic Services Total	\$49,390	\$84,668	\$76,243	\$70,226	\$42,916	\$28,169
Snow Removal - Existing CTB	\$158,051	\$192,602	\$166,771	\$85,500	\$85,500	\$64,125
Security - Existing CTB OS2	\$1,341,532	\$2,299,770	\$2,037,183	\$1,740,656	\$781,243	\$527,399
Landscaping maintenance (interior only) - Existing CTB	\$29,753	\$51,005	\$45,181	\$38,605	\$17,327	\$11,697
Mystery Shopping/QA - Existing CTB	\$89,259	\$153,015	\$135,544	\$115,814	\$51,980	\$35,090
<b>Subtotal - Outsourced Services - Existing CTB</b>	<b>\$6,267,064</b>	<b>\$10,665,196</b>	<b>\$9,522,048</b>	<b>\$8,399,730</b>	<b>\$4,536,537</b>	<b>\$3,018,275</b>

For the New Terminal B, outsourced service estimates include operating contracted services. Maintenance-related outsourced services are incorporated in repair and maintenance costs. The outsourced services estimates are in the following categories:

- Cleaning and sanitation-related services, including: janitorial services, which includes common area space; janitorial-related consumables phased in based on passenger activity; septic services; waste and recycling removal; and pest control.
- Security services, which is allocated between New and Existing Terminal B based on space.
- Snow removal services (allocated based on space between new and old Terminal B).
- Other services, including CRWD Loading dock services; bag room operations; maintenance of frontage roads; consumables for passenger processing system; mystery shopper program; and NPS and Goods Screening Equipment Maintenance.

Below is a table of the New Terminal B outsourced service estimates listed above for the years 2016 through 2021.

Table 12.5: New Terminal B Outsourced Service Budgets

Year - New Terminal	2016	2017	2018	2019	2020	2021
<b>Outsourced</b>						
<b>New Terminal B Outsourced Services</b>						
Janitorial - Consumables New Terminal B Only OS4 (per Pax)	\$0	\$0	\$39,840	\$84,962	\$318,464	\$355,401

## 12.0 FACILITIES MANAGEMENT REVIEW

Year - New Terminal	2016	2017	2018	2019	2020	2021
<b>Outsourced</b>						
Janitorial - (Service Contract) New Terminal B Only	\$0	\$0	\$594,810	\$1,315,154	\$4,864,059	\$5,376,935
Waste and recycling removal - New Terminal B	\$0	\$0	\$40,766	\$86,801	\$235,748	\$275,157
Pest removal - New Terminal B	\$0	\$0	\$12,085	\$25,733	\$69,889	\$81,572
Septic Services	\$0	\$0	\$13,526	\$29,906	\$110,607	\$122,270
Snow Removal - New Terminal B	\$0	\$0	\$172,182	\$731,489	\$886,576	\$1,020,614
Security - New Terminal B OS2	\$0	\$0	\$262,587	\$654,161	\$2,034,816	\$2,374,965
CRWD Loading Dock	\$0	\$0	\$0	\$0	\$223,402	\$223,402
Bag Room Operations	\$0	\$0	\$0	\$0	\$982,152	\$982,152
Passenger Flight Tracking (IT Item 8.2)	\$0	\$0	\$7,141	\$12,241	\$12,241	\$12,241
Landscaping maintenance (interior only) - New Terminal B	\$0	\$0	\$5,824	\$12,400	\$33,678	\$39,308
Maintenance of Frontage Roads	\$0	\$0	\$0	\$0	\$0	\$0
Ramp Control Total	\$0	\$0	\$233,929	\$401,022	\$401,022	\$401,022
Mystery Shopping/QA - New Terminal B	\$0	\$0	\$17,471	\$37,201	\$101,035	\$117,925
Customer Care Representatives	\$0	\$0	\$75,476	\$160,707	\$436,471	\$509,434
Passenger Processing System - Consumables (IT Item 12.2) OS5	\$0	\$0	\$425,042	\$765,075	\$1,445,142	\$1,530,150
Wheelchair/Golf Cart Service	\$0	\$0	\$0	\$0	\$3,872,300	\$3,872,300
Airside Shuttle Fuel	\$0	\$0	\$0	\$0	\$23,271	\$23,271
NPS and Goods Screening Equipment Maintenance	\$0	\$0	\$0	\$0	\$71,407	\$71,407
<b>Subtotal - Outsourced Services - New Terminal B</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,160,463</b>	<b>\$4,880,982</b>	<b>\$17,946,149</b>	<b>\$19,450,502</b>

### 4. Utilities

We are advised that utility costs (including water and electricity) for the existing Terminal B ranged from \$3.2 million to \$3.8 million between 2007 and 2012. Forecasted costs for both the Existing and New Terminal B's are shown in the table below.

Table 12.6: Utility Budgets

Year	2016	2017	2018	2019	2020	2021
<b>Utilities</b>						
<b>TOTAL REVISED EXISTING CTB UTILITIES</b>	\$3,407,066	\$5,840,685	\$5,258,641	\$4,616,574	\$2,719,532	\$1,586,387
Electrical	\$0	\$0	\$783,190	\$1,738,117	\$6,461,153	\$7,177,689
Natural gas	\$0	\$0	\$84,819	\$188,237	\$699,737	\$777,338
Water	\$0	\$0	\$101,252	\$224,707	\$835,309	\$927,944
Sanitary sewer (d)	\$0	\$0	\$160,991	\$357,284	\$1,328,141	\$1,475,430
Total fuels for operation (CHRP)	\$0	\$0	\$115,582	\$198,926	\$199,923	\$200,925
<b>TOTAL NEW TERMINAL B UTILITIES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,245,833</b>	<b>\$2,707,270</b>	<b>\$9,524,263</b>	<b>\$10,559,325</b>

### 5. General Administration

For existing O&M, LGP has included General Administration costs limited to those associated with overhead operating costs. The O&M estimates for the Existing and New

## 12.0 FACILITIES MANAGEMENT REVIEW

Terminal B consist largely of professional services and other overhead items. Most General Administration expenses start at the beginning of the lease. The General Administration subcategories include:

- Legal services;
- Telephone (cellular and phone);
- General office expenses;
- Training;
- Board Expenses
- Recruitment fees;
- Public relations and marketing services;
- Common concession advertising (funded through concession fees);
- Regulatory services;
- Recruiting (largely associated with the buildup of staff at the beginning of the lease);
- Accounting and financial services;
- Transition Budget; and
- Planning, architecture and engineering services which is phased in slowly after terminal completion.

Table 12.7: General and Administration Budgets

Year	2016	2017	2018	2019	2020	2021
<b>General and Administration</b>						
Professional Services	\$1,125,510	\$1,703,567	\$1,448,542	\$1,448,542	\$1,448,542	\$1,448,542
Telephone	\$67,837	\$116,291	\$116,291	\$116,291	\$116,291	\$116,291
Licenses & Permits	\$8,926	\$15,302	\$15,302	\$15,302	\$15,302	\$15,302
Training	\$79,738	\$136,693	\$136,693	\$136,693	\$136,693	\$136,693
Safety	\$25,290	\$43,354	\$43,354	\$43,354	\$43,354	\$43,354
General Office Expenses	\$53,555	\$91,809	\$91,809	\$91,809	\$91,809	\$91,809
Board Expenses	\$78,786	\$135,061	\$135,061	\$135,061	\$135,061	\$135,061
Travel Expenses (travel, accommo	\$42,695	\$73,192	\$73,192	\$73,192	\$73,192	\$73,192
IT Systems License/Fees/Upgrade & Maintenance	\$161,856	\$277,467	\$277,467	\$277,467	\$277,467	\$277,467
Transition Budget	\$7,681,061	\$629,062	\$459,045	\$459,045	\$459,045	\$204,020
Miscellaneous	\$82,755	\$141,865	\$156,218	\$156,218	\$223,800	\$244,202
<b>Subtotal - General &amp; Administrative Services</b>	<b>\$9,408,008</b>	<b>\$3,363,664</b>	<b>\$2,952,975</b>	<b>\$2,952,975</b>	<b>\$3,020,557</b>	<b>\$2,785,934</b>

### 6. Other

It is reported that the category 'Other' is listed in the Request for Proposal. For the purposes of estimating LGP has captured costs for this in the categories listed above.

LGP report that general escalation is not accounted for in the O&M model. However, they comment that in reviewing O&M costs for the benchmark airports, some O&M cost increases were not directly in-line with increases in the Consumer Price Index (CPI).

They further comment that, for the categories of personnel and utilities, a percent of growth was applied that reflects growth that outpaced average historic CPI. A growth of 1% was applied to personnel and a growth of 0.5% was applied to utilities.

12.4.6 The following table taken from the Draft Opex Model show the forecasted O&M Expenses divided by New and Existing Terminal B and by RFP category for the Years



## 12.0 FACILITIES MANAGEMENT REVIEW

2016 through 2021. This table includes all costs in the O&M model, including capitalized costs.

Table 12.8: Total O&M Model

Year	2016	2017	2018	2019	2020	2021
<b>Total O&amp;M Model Results (includes Capital Calculated in the O&amp;M)</b>						
<b>Existing CTB</b>						
Personnel	\$4,857,963	\$8,785,895	\$8,338,039	\$8,008,600	\$2,561,456	\$1,518,588
Repair and Maintenance	\$6,533,331	\$2,559,140	\$2,499,140	\$2,364,140	\$1,917,491	\$673,607
Outsourced Services	\$6,267,064	\$10,665,196	\$9,522,048	\$8,399,730	\$4,536,537	\$3,018,275
Utilities	\$3,407,066	\$5,840,685	\$5,258,641	\$4,616,574	\$2,719,532	\$1,586,387
General Administrative	\$7,086,472	\$1,720,237	\$1,439,973	\$1,231,502	\$451,027	\$216,470
Other	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total existing CTB</b>	<b>\$28,151,897</b>	<b>\$29,571,152</b>	<b>\$27,057,841</b>	<b>\$24,620,545</b>	<b>\$12,186,042</b>	<b>\$7,013,328</b>
<b>New Terminal B</b>						
Personnel	\$3,329,559	\$5,882,817	\$7,861,449	\$10,956,452	\$18,754,218	\$20,009,541
Repair and Maintenance	\$0	\$85,688	\$577,049	\$815,605	\$3,756,436	\$6,434,889
Outsourced Services	\$0	\$0	\$2,160,463	\$4,880,982	\$17,946,149	\$19,450,502
Utilities	\$0	\$0	\$1,245,833	\$2,707,270	\$9,524,263	\$10,559,325
General Administrative	\$2,321,536	\$1,643,427	\$1,513,002	\$1,721,474	\$2,569,530	\$2,569,464
Other	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total New Terminal B</b>	<b>\$5,651,095</b>	<b>\$7,611,933</b>	<b>\$13,357,796</b>	<b>\$21,081,783</b>	<b>\$52,550,596</b>	<b>\$59,023,721</b>
<b>Total O&amp;M Expenses</b>						
Personnel	\$8,187,523	\$14,668,712	\$16,199,488	\$18,965,053	\$21,315,674	\$21,528,129
Repair and Maintenance	\$6,533,331	\$2,644,828	\$3,076,189	\$3,179,744	\$5,673,927	\$7,108,496
Outsourced Services	\$6,267,064	\$10,665,196	\$11,682,510	\$13,280,712	\$22,482,686	\$22,468,778
Utilities	\$3,407,066	\$5,840,685	\$6,504,474	\$7,323,844	\$12,243,795	\$12,145,713
General Administrative	\$9,408,008	\$3,363,664	\$2,952,975	\$2,952,975	\$3,020,557	\$2,785,934
Other	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total O&amp;M Expenses</b>	<b>\$33,802,993</b>	<b>\$37,183,085</b>	<b>\$40,415,637</b>	<b>\$45,702,328</b>	<b>\$64,736,638</b>	<b>\$66,037,050</b>

## 12.5 Benchmarking

12.5.1 The following table shows the operating results relative to the benchmark airports on a cost per enplaned passenger basis.



## 12.0 FACILITIES MANAGEMENT REVIEW

Table 12.9: Benchmark Costs (per Terminal Area)

Benchmarking Source Data									
Terminal Operating Expenses per Enplaned Passenger									
Category	Airport 1	Airport 2	Airport 3	Airport 4	Airport 5	Airport 6	Average	Median	Proposed New Terminal B 2023 (2016\$) (a)
Terminal O&M per Enplaned Passenger	\$ 9.28	\$ 2.22	\$ 6.48	\$ 7.78	\$ 9.49	\$ 9.06	\$ 7.39	\$ 7.78	\$ 7.11

Note: Data sources reflect most recently available public information. All fiscal years end June 30<sup>th</sup>, otherwise calendar years.

Sources: Airport Official Statements, LGP

(a) Excludes costs allocated to the Apron

### Conclusions:

*In our opinion, the requirements of the Lease with respect to maintenance and operation of Terminal B Facility are reasonable and without unduly onerous burden. Further, we conclude that the requirements are typical of airport deals in the United States.*

*Manager has extensive experience and a strong reputation with respect to airport operations providing reassurance that they are more than capable to meet and manage the requirements of this project.*

*At this time, we have reviewed the methodology and inputs of the cost projection and find both reasonable and appropriate.*

## 13.0 LIFE CYCLE REVIEW

### 13.1 Life Cycle Information

13.1.1 The following documents have been reviewed in connection with this section:

- The Port Authority of NY&NJ, Requirement and Provisions for Work, April 18, 2014 (Version 6);
- Lease Agreement (Version 15);
- Stantec Consulting Services Inc. updated report 'Existing & Proposed LCA for LGAP3', February 17, 2016;
- Proposed CTB Lifecycle Model Comparison, dated February 13, 2016;
- LaGuardia Gateway Partners, Statement of Qualifications;
- Building Condition Assessment, prepared by Stantec Consulting Ltd., dated February 17, 2016;
- Existing CTB Lifecycle Model Comparison Chart, dated February 17, 2016;
- Existing CTB Capital Forecast, dated February 17, 2016; and
- Ricondo & Associates, Inc., Forecasted O&M Approach report, May 5, 2014 (Ricondo was involved in an O&M advisory capacity up to bid only – no updates to this report have been issued).

### 13.2 Lease Requirements

13.2.1 As part of the overall project life cycle approach the Lessee is required to submit to the Port Authority a written Capital Asset Management Plan ("CAMP") which will outline the procedures to be implemented in order to achieve the minimum services outcomes as detailed in Section 2.0 of the Maintenance requirements.

13.2.2 The CAMP is required to include details of 'key investments' which will be made in order to achieve a coordinated life cycle approach including, but not limited to regularly scheduled condition assessments and preventative and predictive maintenance routines.

13.2.3 Additional key points to be included within the CAMP with respect to Life Cycle include:

- the identification and description of the management approach with respect to integrating and aligning the routine maintenance activities as described in the system-by-system requirements and the Asset Preservation work as well as the Handback Requirements;
- a description of the process for asset preservation, work identification and prioritization in terms of developing the CAMP and the multi-year Asset Preservation Schedule on a system by system basis, including the process for asset preservation, work identification and prioritization of key components in each system;
- a description of the approach for completing the annual maintenance;
- provide an indication of the expected condition performance of the New Terminal B systems and as to how full contract compliance will be achieved; and
- definition of Operational impacts and mitigation measures.

## 13.0 LIFE CYCLE REVIEW

13.2.4 The table below summarizes the Schedule of Asset Preservation Deliverables as outlined in the PANYNJ Requirement and Provisions for Work:

Deliverable #	Deliverable Name	Due Date
AP1	Initial Capital Asset Management Plan (including initial five-year Asset Preservation Schedule)	Condition precedent to the lease commencement date
AP2	Quarterly capital Asset Management Plan Updates	Every 3 months for the first two years
AP3	Annual capital asset management plan updates (including updated five-year asset preservation schedule)	Every 12 months after the first 2 years. The final capital asset plan is due 6 months before the expiry date
AP4	Asset Inventory Report (Annually)	30 days before AP3
AP5	Record Documents (Annually)	30 days before AP3

13.2.5 Consistent with the CAMP, the Handback Requirements shall address all major assets in the New Facilities for the following primary functional areas:

- Landside
- Terminal
- Airside

13.2.6 At the Expiry Date, the condition of the New Facilities and all components in each system shall meet minimum standards as defined in Section 3 of the Requirements and Provisions for Works (“RPW”) in addition to having met requirements stated elsewhere in the Lease.

13.2.7 As detailed in section 3.0 of the Requirement and Provisions for Work, the Handback Requirements are to protect the Port Authority from excessive asset consumption.

13.2.8 Table 3.1 of the Requirement and Provisions for Work, outlines the minimum required remaining service life for components after the Expiry Date. It is required that the Lessee measure and establish the remaining service life of each component.

13.2.9 The process of measuring the remaining service life and associated inspections of each system is to be managed jointly by the Port Authority’s maintenance professional engineering personnel and by a Lessee Qualified Professional.

13.2.10 The Lessee Qualified Professional will:

- be a professional engineer, registered in the State of New York with a background in inspection, design, construction and maintenance of the respective professional discipline applicable to the component;
- have not less than 10 years’ experience;

## 13.0 LIFE CYCLE REVIEW

- evaluate the overall management and technical supervision of the respective system;
  - accept responsibility for the technical competence of all personnel involved in inspection and reporting when measuring and establishing the remaining service life of system components; and
  - be jointly responsible for establishing the remaining service life of the respective system components along with the Port Authority's Maintenance Director and professional engineering personnel.
- 13.2.11 At the expiry date, the Lessee shall transfer control of the responsibility for the maintenance of the New Facilities including all equipment which, the Lessee has supplied, designed, constructed and maintained to the Port Authority.
- 13.2.12 Prior to the Expiry date, the Lessee shall conduct inspections and submit to the Port Authority reports verifying that the New Facilities and the components of each system meet all requirements under the lease as of the Expiry date.
- 13.2.13 Under Section 3.2 of the Requirement and Provisions for Work, the inspection requirements prior to Handback are detailed as follows:
- The first Pre-Handback Inspection shall take place no earlier than 60 calendar months and be completed no later than 54 calendar months prior to the Expiry Date;
  - The second Pre-Handback Inspection shall take place no earlier than 24 calendar months and be completed no later than 18 calendar months prior to the Expiry Date; and
  - The third and final Pre-Handback Inspection shall take place no earlier than 12 calendar months and be completed no later than 6 calendar months prior to the Expiry Date.
- 13.2.14 The RPW notes that the failure of the Port Authority to request a Handback maintenance requirement on any Pre-Handback Inspection or a repair made by the Lessee following any Pre-Handback inspection shall not constitute a waiver of derogate from the Handback Maintenance obligations of the Lessee.
- 13.2.15 It is a requirement that the Port Authority review each Handback Maintenance Service Plan in conjunction with the Lessee.
- 13.2.16 It is a further requirement that at the Expiry date the Lessee shall transfer to the Port Authority all spare fixed components and replacement parts.
- 13.2.17 At the expiry date the components of each system (including hardware and software) must be in proper working order and must meet all applicable requirements of the Lease.
- 13.2.18 As of the Expiry Date, no hardware or software components shall be incompatible in any way and all third party software shall be the latest full release version.
- 13.2.19 At the Expiry Date all preventative and corrective maintenance shall have been carried out throughout the Term on the components of each system in accordance with the Lessee's Maintenance Plan, applicable manufacturers' requirements and best industry practices.

## 13.0 LIFE CYCLE REVIEW

- 13.2.20 Section 11.12 of Article 11 of the Lease (Handback Requirements) notes that no later than sixty (60) days prior to the end of the date that is five (5) years prior to the projected expiry date, and no later than sixty (60) days prior to the end of each subsequent year prior to such expiry date the Port Authority and the Lessee will engage a mutually acceptable independent consultant to provide an estimate of costs in order to cover all costs necessary to cause the premises and the Assets thereof to meet the Handback requirements at the expiry date. This amount shall be known as the Handback Amount.
- 13.2.21 In addition to the Handback Amount, five (5) years prior to the projected Expiry Date the Lessee will establish a Handback Reserve Fund. The Handback Reserve Fund shall be for the sole and exclusive benefit of the Port Authority.
- 13.2.22 The Handback Reserve Fund shall be equal to at least (115%) of the agreed amount of the Handback Amount.
- 13.2.23 The Port Authority may withdraw moneys from the Handback Reserve Fund beginning on the Early Termination Date, or the Expiry Date, as applicable and until two years after such date if any portions of the premises do not satisfy the Handback Requirements.
- 13.2.24 We do not consider the Handback Requirements to be onerous and view them as in line with current P3 precedent.

## 13.3 LGP Approach

- 13.3.1 Building life cycle is a whole building approach and should view the building over the course of its entire life. It should not just take into account the operation of the building but also the design, construction, demolition and treatment of waste.
- 13.3.2 LGP retained Stantec Consulting Services Inc. (Stantec) to develop a Life Cycle Cost Analysis ("LCA") forecast of the existing LaGuardia Airport Terminal B currently operated by the Port Authority and a proposed LCA forecast for the proposed Terminal B to be developed and operated by LGP.
- 13.3.3 LGP will operate the existing Terminal B for five years (2016 to 2021) while the new Terminal B is being constructed. Once the new Terminal B is constructed, LGP will operate and maintain the new facility over a 30-year term (until the end of 2050).
- 13.3.4 Stantec utilized the following information in preparation of their report:
- Documentation provided by PANYNJ for the existing Terminal B
  - A visual walk-through of the existing Terminal B. A detailed Building Condition Assessment (visual) was conducted on January 20<sup>th</sup> to 22<sup>nd</sup> and January 27<sup>th</sup> to 28<sup>th</sup>, 2016.
  - Interviews with building managers and maintenance staff provided by the PANYNJ.
  - Rough order of magnitude cost estimate (ROM version 5) developed by constructors of the LPG, Skanska ID (issued December 10, 2015)
  - Cost estimating sources including;
    - RS Means Facilities Maintenance & Repair Cost Data 2007, 2009

## 13.0 LIFE CYCLE REVIEW

- Marshall and Swift
- AASHTO LRFD Bridge Design Guide Specification for GFRP-Reinforced Concrete Bridge Decks
- ASHRAE
- Pipe fatigue design standard best practices for hydrant piping systems
- FAA apron requirements
- Pavement management and best practices
- Pavement management guide

13.3.5 As part of the overall Stantec approach to LCA costs were allocated into the following asset categories for cost modelling purposes;

- Fire protection and Life Safety
- Security Access Control
- Structural Landside
- Mechanical Terminal
- Electrical Circulation
- Electrical Substation and Controls
- Building Envelope
- Baggage Handling Systems
- Civil, Roadway Systems
- Aircraft Support Systems
- Underground and Above Ground Tanks

13.3.6 Stantec utilized the following forecasting methodology in order to identify critical assets from the categories listed in Section 13.3.5 above for those that are expected to have a high cost of replacement or high repair costs during the operation of the proposed terminal by LGP.

ASSET CATEGORY	COMPONENTS	Expected frequency of Maintenance / Repair/Replacement of significant activities
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	Fire Alarm system	Annual inspection, certification and testing Replacement at 20 years
	Fire extinguishers	Annual inspection and testing
Security Access Control System	CCTV System – (cameras)	5-year replacement
	Door access control - card readers	10-year replacement
Structural Landside; Elevated Structures; Terminal Components	Automatic sliding doors	Annual inspections, periodic repairs and replacement in 15 years
	High Speed Overhead Doors	Annual inspections, periodic repairs and replacement in 25 years
	Overhead Coiling Doors	Annual inspections and periodic repairs

13.0 LIFE CYCLE REVIEW

ASSET CATEGORY	COMPONENTS	Expected frequency of Maintenance / Repair/Replacement of significant activities
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	Heating plant (boilers, circulation and distribution systems)	Annual inspections, periodic repairs and replacement in 25 years (circulation), 40 years (boilers and valves) and 50 years (distribution).
	Cooling plant (chillers, cooling tower, circulation and distribution systems)	Annual inspections, periodic repairs and replacement in 25 years (chillers and circulation), 40 years (valves) and 50 years (distribution).
	Air handling units and exhaust fans	Annual inspections, periodic repairs of air handling units and exhaust fans Replacement of exhaust fans in 30 years and 35 years for air handling units.
Electrical - Circulation; Moving walkways, escalators; Elevators	Elevators	Annual inspections, certification, periodic repairs and replacement in 25 years
	Escalators and moving walkways	Annual inspections, certification, periodic repairs and replacement in 25 years
Electrical; Substation Equipment and Controls	Uninterrupted Power Supply (UPS)	10 year replacement
	Interior and exterior lighting systems	Interior and exterior lamp replacement every 10 years
	Emergency power generating systems	Annual inspections, certification, periodic repairs
	Power distribution equipment	Annual inspections, certification, periodic repairs
	Wired, wireless and radio communication equipment and systems	Wired network switches - 20 years replacement Wireless systems - 15 years replacement radio systems - 20 year replacement
Building Envelope; Exterior Enclosure; Roofing	Roof inspections and repairs	Annual inspections and periodic repairs. Replacement in 35 years (liquid applied single membrane roofing) and 45 years (Standing metal seam)
Baggage Handling; Make-up Systems; Baggage Claim Carrousel and Conveyors	motors/drives	Annual inspection, replacement in 12 years
	Belts and chains	Annual inspection, replacement in 20 and 25 years respectively
	Sorts and Diverters, Merges and Queues and Make-up devices	Annual inspection, replacement in 20 years

## 13.0 LIFE CYCLE REVIEW

ASSET CATEGORY	COMPONENTS	Expected frequency of Maintenance / Repair/Replacement of significant activities
	Claims devices - Slope Plate Device (with stainless steel slats)	Annual inspection, replacement in 25 years
	Belts and chains	Annual inspection, replacement in 12 years
	Bearings	Annual inspection, repairs every 12 years
	Controls	Annual inspection, repairs every 10 years
Civil Roadways - Pavement; Landside Pavement (On grade, Elevated); Airside Pavement	Airside pavement	Inspection of condition and repair and maintenance of surface
	Frontage Road	Inspection of elevated roadway every 3 years
Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System	Jet bridges	Annual inspections, certification, periodic repairs
	Hydrant fuel distribution systems	Annual inspection, certification
Underground and Above Ground Tank Systems	Underground tanks	Annual inspection, certification Replacement in 25 years
	fuel pumping systems and controls	Annual inspection, calibration and certification Replacement in 25 years

### 13.3.7 Stantec assumed the following attributes to be included

- Installation Value or Current Replacement Value (dollars)
- Estimated Useful Life (years)
- Preventive Maintenance Costs (labor, materials and equipment in dollars) and timing (in years)
- Repair Costs (labor, materials, and equipment in dollars) and timing (every five, 10, or 15 years)

### 13.3.8 Stantec report that the LCA provides an opinion as to the probable cost of installing, replacing, maintaining and repairing the existing and the proposed assets of Terminal B during the construction and operational periods of the project. This roughly covers a period of 2016-2021 for the existing Terminal B and until 2050 for the proposed Terminal B. During this time the existing Terminal B will be operated and replaced in phases over a 73-month construction duration. Operation of the proposed Terminal B will also be phased initially, and then operated as a completed facility for the remaining period of time until 2050

### 13.3.9 Additional assumptions made by Stantec in the preparation of the lifecycle cost forecasts include:



## 13.0 LIFE CYCLE REVIEW

- Airside Utility Repair Costs based on 'Guidelines and Procedures for Maintenance of Airport Pavements' U.S.D.O.T., 2007.
- Cost estimates based on ROM replacement value from Skanska ID.
- Uniform asset distribution per square feet for phasing program.
- Costs are uniformly distributed when divided into months and quarters.
- Repairs and Maintenance based on 2007 RS Means, with adjustments for inflation and adjusted for the New York locations (1.307 location factor and 1.128 inflation factor).
- Various assets costs were a result of consultation with YVR for maintenance, repairs, and operations.

### 13.3.10 Stantec approach/steps taken in preparation of the life cycle costing for the proposed Terminal B include:

- The rough order of magnitude (ROM) cost estimate or bill of materials from the engineering design team (SKANSKA) was reviewed and assessed by Stantec. Each of the assets listed in the spreadsheets was analyzed to determine a typical estimated useful life for that asset. That estimated useful life was recorded in an excel spreadsheet.
- A particular asset specified in the ROM was researched using a cost estimating source (e.g. RS Means). The research listed typical durations between repairs (e.g. 5 years), and also indicated the scope and cost of those repairs for the specified asset. These costs and yearly frequencies were documented in the same spreadsheet listed in step one.
- A particular asset specified in the ROM was researched using a cost estimating source (e.g. RS Means). The research listed the typical scope and cost of maintenance activities for the specified asset (e.g. Roof – inspections). These costs and yearly frequencies were documented in the same spreadsheet listed in the previous steps.
- The spreadsheet was built to show the assets listed vertically, and the cost and timing of the event shown horizontally. Each major building section was broken down into separate pages, with each page recording the maintenance, repair and replacement activities anticipated during the operation of the proposed CTB
- The repair, maintenance, replacement costs and asset lifespans were reviewed by YVR's operating personnel, Manager and Stantec engineers for assessing lifecycle maintenance cost assumptions. Engineering experts on various systems (e.g. baggage systems), were consulted to verify the lifecycle cost forecasts. After each time the ROM data was updated, the lifecycle cost forecast underwent re-analysis.
- The resulting spreadsheets were summed into the various summary tables required for the proposal and for the LGP's financial model. This included the 11 primary systems listed in the RFP, for the duration of the lease (2016-2050).
  - Fire Protection & Life Safety Systems
  - Security Systems
  - Structural Landside; Elevated Structures; Terminal Components

### 13.0 LIFE CYCLE REVIEW

- Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers
- Electrical - Circulation; Moving walkways, escalators; Elevators
- Electrical; Substation Equipment and Controls
- Building Envelope
- Baggage Handling Systems
- Civil, Roadway Systems
- Aircraft Support Systems
- Underground and Above Ground Tank Systems

13.3.11 It is reported that the lifecycle maintenance costs were sent to the design team for review. The purpose of the design team's review was to determine if there were opportunities to improve the quality of the initial design to either: increase the lifespan of the asset, or reduce the maintenance and repair costs of the asset. Either of these would reduce the lifecycle costs of operating the asset.

### 13.4 Life Cycle Cost Forecasts

13.4.1 Utilizing the aforementioned methodology, Stantec provided the following lifecycle costs presented in the following table which lists the expected costs of Preventive Maintenance, Asset Repair and Asset Replacement for the Existing Terminal B for the period from Lease Commencement to Substantial Completion:

Existing Terminal B	2016	2017	2018	2019	2020	2021	2022
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	\$57,217	\$98,086	\$98,086	\$98,086	\$40,869	\$0	\$0
Security Access Control System	\$11,971	\$20,521	\$20,521	\$20,521	\$8,551	\$0	\$0
Structural Landside; Elevated Structures; Terminal Components	\$83,229	\$142,679	\$142,679	\$142,679	\$133,169	\$71,875	\$8,686
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	\$347,983	\$596,541	\$596,541	\$596,541	\$428,050	\$190,085	\$36,236
Electrical - Circulation; Moving walkways, escalators; Elevators	\$93,978	\$161,105	\$161,105	\$161,105	\$143,287	\$65,280	\$0
Electrical; Substation Equipment and Controls	\$229,646	\$393,679	\$393,679	\$393,679	\$172,596	\$7,340	\$0
Building Envelope; Exterior Enclosure; Roofing	\$158,924	\$272,442	\$272,442	\$272,442	\$258,557	\$175,301	\$50,981
Baggage Handling; Make-up Systems; Baggage Claim Carrousel and Conveyors	\$91,113	\$156,193	\$156,193	\$156,193	\$141,097	\$65,157	\$0
Civil Roadways - Pavement; Landside and Airside Pavement	\$73,911	\$126,705	\$126,705	\$126,705	\$76,303	\$20,151	\$0
Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System	\$28,634	\$49,088	\$49,088	\$49,088	\$20,453	\$0	\$0
Underground and Above Ground Tank Systems	\$106,225	\$182,101	\$182,101	\$182,101	\$164,557	\$78,418	\$2,405
Converted Gates	\$150,000	\$360,000	\$300,000	\$165,000	\$330,000	\$0	\$0
Initial Improvements - Existing CTB RM3	\$5,100,500	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Preventive Maintenance &amp; Repairs</b>	<b>\$6,533,331</b>	<b>\$2,559,140</b>	<b>\$2,499,140</b>	<b>\$2,364,140</b>	<b>\$1,917,491</b>	<b>\$673,607</b>	<b>\$98,308</b>

## 13.0 LIFE CYCLE REVIEW

13.4.2 For the new Facility, we present the forecasted lifecycle costs in 5 year periods. The following table summarizes Stantec's estimates:

Area - New Terminal B	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	\$131,155	\$1,243,614	\$1,492,829	\$1,526,469	\$2,944,521	\$4,604,201	\$1,874,633
Security Access Control System	\$10,660	\$389,805	\$1,819,868	\$4,226,163	\$7,878,081	\$2,713,081	\$11,921,176
Structural Landside; Elevated Structures; Terminal Components	\$395,815	\$4,240,924	\$7,590,206	\$12,003,644	\$12,310,726	\$16,345,413	\$25,905,592
Mechanical Terminal HVAC System; CHRP Boilers; CHRP Chillers	\$686,603	\$4,410,008	\$6,915,370	\$6,213,079	\$7,395,920	\$15,476,114	\$21,522,906
Electrical - Circulation; Moving walkways, escalators; Elevators	\$606,868	\$5,780,910	\$7,357,728	\$7,375,530	\$7,357,728	\$13,310,322	\$22,301,271
Electrical; Substation Equipment and Controls	\$756,675	\$8,314,969	\$13,294,305	\$18,206,622	\$32,400,681	\$29,615,934	\$40,468,552
Building Envelope; Exterior Enclosure; Roofing	\$58,791	\$400,124	\$646,328	\$1,528,281	\$1,253,873	\$2,721,633	\$3,012,226
Baggage Handling; Make-up Systems; Baggage Claim Carousels and Conveyors	\$697,235	\$7,320,966	\$16,444,357	\$42,273,496	\$21,955,821	\$54,258,488	\$28,625,429
Civil Roadways - Pavement; Landside Pavement (On grade, Elevated); Airside Pavement	\$0	\$378,566	\$1,411,049	\$2,869,881	\$5,764,585	\$4,252,049	\$4,690,584
Aircraft Support; Passenger Boarding Bridges; Hydrant Fueling System	\$187,992	\$1,087,549	\$3,214,021	\$1,621,323	\$3,793,676	\$2,872,061	\$5,228,889
Underground and Above Ground Tank Systems	\$0	\$299,862	\$440,974	\$440,974	\$440,974	\$523,467	\$735,667
Fire Protection & Life Safety; Fire Alarm & Sprinkler System	\$3,531,794	\$33,867,297	\$60,627,035	\$98,285,461	\$103,496,585	\$146,692,763	\$166,286,925
Security Access Control System	\$131,155	\$1,243,614	\$1,492,829	\$1,526,469	\$2,944,521	\$4,604,201	\$1,874,633
<b>Total</b>	<b>\$10,660</b>	<b>\$389,805</b>	<b>\$1,819,868</b>	<b>\$4,226,163</b>	<b>\$7,878,081</b>	<b>\$2,713,081</b>	<b>\$11,921,176</b>

## 13.5 Benchmarking

13.5.1 The Stantec approach for Life Cycle Costing utilized two forms of benchmarking for comparison purposes to test the validity of the life cycle models forecast these are reported to be:

### 13.5.1.1 FCI Benchmark Analysis

The first benchmark was the calculation of the proposed Terminal B facility condition index ("FCI"). The FCI is a widely accepted means of benchmarking the condition of an asset relative to other buildings. The FCI is a ratio of the amount of accumulated deferred maintenance and anticipated replacement cost to the current replacement value of the facility asset during a set time period.

Stantec's assumptions and limitations for both benchmarking analysis are as follows:

- Data used in our analysis was collected from sources from different years. All the data was base lined to 2016\$.
- As part of the FCI calculation a current replacement value or construction cost is required. Construction or replacement costs were not available for the each of the facilities used in our comparison. We've used the construction

## 13.0 LIFE CYCLE REVIEW

cost used Skanska's phase 5 ROM, adjusted for the location of the comparative facilities (using Mean's Cost Works) and adjusted proportionally for the differences in the sizes of the facilities used in our analysis.

- Costing data that we found for projects that we considered for our analysis is not always comprehensive, or grouped in the same manner by each of the organizations operating the facilities we are comparing. In the case of the YVRs information, for example, specific parameters might dictate that certain work be classified as capex or capital work, but could be classified as operating dollars by other organizations or vice versa.
- Data provided for YVR was for 7 years (between 2007 and 2013) and is projected to be up to 20 million per year thereafter. In order to provide data for a longer period of time and likely incorporate some larger capital expenditures the data has been average over a 14-year period (7 years actual and 7 years projected).

Site name	Reported age of building based on year of data	Building Area (ft <sup>2</sup> )	Current Replacement Value (CRV) 2016\$	Adjusted Capex Data (averaged) in 2016 \$ for a five year:	Five year Facility Condition Index (FCI)
Major airport in central Canada	20	1,917,830	2,399,208,818	34,318,686	1.43%
Regional airport serving a growing community in northern Alberta	27	32,570	40,781,432	1,182,739	2.90%
YVR	20	3,439,983	4,218,243,643	54,611,700	1.29%
Proposed Terminal B lifecycle model		1,433,922	2,597,000,000	48,098,453	1.85%

### 13.5.1.2 Capital Expenditure Dollar/Square Foot Analysis

The chart below represents the summary of Stantec's capital expenditure dollar/square foot data:

Site name	Adjusted capex data to 2016 \$ for a five year period:	Area of building (ft <sup>2</sup> )	Capex dollars (2016 \$) per square foot/ year	Variance from mean value (\$5.50):
Major airport in central Canada	34,318,686	1,917,830	\$3.58	-\$1.92
Regional airport serving a growing community in northern Alberta	1,182,739	32,570	\$7.26	\$1.76
YVR	54,611,700	3,439,983	\$3.18	-\$2.32
Proposed Terminal B lifecycle model	48,098,453	1,433,922	\$6.71	\$1.53

## 13.0 LIFE CYCLE REVIEW

The following conclusions can be drawn from this analysis:

- The same four facilities (three located in large metropolitan centers and one in a busy growing community in Alberta, Canada) were used for this comparison. This comparison yielded an average of \$5.50/ft<sup>2</sup>/year.
- The proposed Terminal B lifecycle yielded a value of \$6.71/ft<sup>2</sup>/year or \$1.53 above the mean value.
- Regional airport serving a growing community in northern Alberta, Canada yielded the next closest value to the new Terminal B's at \$7.26 or \$1.76 above the mean value.
- YVR yielded a value of \$3.18/ft<sup>2</sup>/year or \$2.32 below the mean value.

### 13.6 Synopses

- 13.6.1 The benchmarking shows that the proposed Terminal B lifecycle cost is within an acceptable tolerance in both benchmarking analyses undertaken.
- 13.6.2 In both of the benchmarking analyses completed, the proposed Terminal B life cycle model presents benchmark values that are higher than the mean values of each benchmark. While this indicates the estimate is robust, we do not feel that it is excessive.

#### Conclusions:

*In our opinion, the requirements of the Lease with respect to Life Cycle and Handback requirements have been considered by LPG in their technical submission.*

*The LGP technical submission document outlines LGP level of structure and reporting which, describes their approach to asset management throughout the lease period and beyond through the Hand Back period.*

*LGP has described through their Capital Asset Management Plan ("CAMP") a multi-layer methodology to asset management. By adopting a whole of life approach and regular planned preventative and predictive maintenance, LGP plan to maintain reliability and serviceability of the asset throughout the leasing term and Handback period.*

*LGP has shown consideration in their submission for regular reporting to the Port Authority especially within the first two years of the lease where there is a requirement under the RWP for quarterly updates of the Capital Asset Management Plan.*

*With respect to Life Cycle and maintenance cost allowances included in the LGP submission, the approach adopted by LGP in their submission is in line with methodology common to other P3 projects at this stage. LGP has provided bench-marking of similar type projects and based upon their interpretation it is our belief that they have included sufficient allowances to maintain the asset for the period of the lease and into the Handback period.*

## 14.0 PAYMENT MECHANISM

### 14.1 Introduction

- 14.1.1 During the Construction Period, the Lessee will receive payments from the Port Authority in the form of Milestone Payments as well as Port Authority Funding for PFC Eligible Costs.
- 14.1.2 During operations, the Project is essentially a terminal deal. That is, the Lessee does not receive monthly service payments from the Port Authority. Instead, the Lessee is reliant on Aero (airline) revenues and Non-Aero (or concession) revenues from Terminal B.
- 14.1.3 Beginning on the Lease Commencement Date, the Lessee will make rental payments to the Port Authority. The landing fees and parking revenues will remain with the Port Authority. The revenues from the operation of the Central Hall will also remain with the Port Authority. However, the Lessee will be responsible for collecting the Central Hall Revenue and will receive 5% of the Central Hall's Net Revenue as consideration.
- 14.1.4 Please refer to Section 4 of this report for a commentary on the Port Authority Funding and rental payment mechanics.
- 14.1.5 This section provides an overview of the revenue forecast reports prepared by the Lessee's commercial advisors. LGP has advised that they are forecasting 85% of the revenue to come from airline tenants and the remaining 15% to be generated by terminal concessions.

### 14.2 Port Authority Funding

- 14.2.1 The Port Authority will make the Port Authority Funding available to the Lessee, whether from PFC Funding or from other sources available to the Port Authority. The Port Authority Funding will not exceed One Billion Dollars (\$1,000,000,000) and will be payable for PFC Eligible Project Costs incurred to perform the D&C Work for the Demolition Facilities and the New Terminal B Facilities.
- 14.2.2 The PFC Funding will be released as and when allowed in the PFC Funding Plan which will be developed and mutually agreed to by the Lessee and the Port Authority. The PFC Funding plan will set forth:
- i. a detailed breakdown of the major elements of the D&C Work for the Demolition Facilities and the New Terminal B Facilities proposed to result in PFC Eligible Project Costs;
  - ii. the planned sequencing of each element of PFC Eligible D&C Work in the overall design and construction plans;
  - iii. a timetable indicating the estimated commencement and completion periods of each element of PFC Eligible D&C Work in the overall Project Baseline Schedule;
  - iv. the amount of Port Authority Funding required each Calendar Year during which PFC Eligible D&C Work is performed; and
  - v. any other information or data required by the Port Authority or the FAA to obtain final agency decisions with respect to PFC Applications.

## 14.0 PAYMENT MECHANISM

- 14.2.3 Federal Aviation Regulations (14 C.F.R. Part 158) define PFC Eligible Project Costs to be eligible only if they:
- i. Preserve or enhance safety, security, or capacity of the national air transportation system;
  - ii. Reduce noise or mitigate noise impacts resulting from an airport; or
  - iii. Furnish opportunities for enhanced competition between or among carriers.
- 14.2.4 To obtain Port Authority Disbursements; the Lessee must submit a Disbursement Request at a frequency not to exceed one every month during the period from issuance of the Design NTP to three months after Final Acceptance. The Disbursement Request will include a progress report on the activities performed during the period, a certification by the Lessee that the Construction Project and the Premises are free and clear of all Liens or Claims and a copy of a release and waiver of Liens from each Contractor with a contract value greater than \$500,000.
- 14.2.5 With respect to the New Improvements and the Central Hall, payments for the performance of the D&C Work will be made in accordance with the New Improvements Payment and Milestone Schedule and the Portal Milestone Payment and Milestone Schedule (together the "Milestone Payments").
- 14.2.6 Any Milestone Payment made by the Port Authority to the Lessee will be separate from and in addition to the Port Authority Funding made in relation to the PFC Eligible Project Costs for the PFC Eligible D&C Work.
- 14.2.7 The Lessee may submit a written request for the Milestone Payments based on the achievement of specified Milestones, though submittals cannot be made more than once per month. It is not a requirement that the application for funding be submitted to or approved by the FAA.
- 14.2.8 The Port Authority and Lessee entered into a Preliminary Notice to Proceed ("PNTP") Agreement on July 15, 2015, which was amended on October 21, 2015 for the PNTP Work. Under the PNTP, the Port Authority will agree to pay the \$49,768,000 identified in Attachment 3 of the PNTP Agreement towards design of the New Improvements.
- 14.2.9 Any payment by the Port Authority to the Lessee for PNTP Work completed under the PNTP Agreement will be deducted from the amount payable for D&C Work in respect to the New Improvements, with the exception of amounts paid in respect of Port Authority Changes pursuant to the PTNP Agreement.
- 14.2.10 Additionally, any Milestone Payment made by the Port Authority shall be separate from and in addition to the Port Authority Funding made available for the payment of PFC Eligible Project Costs.
- 14.2.11 Provisions for contract compensation adjustments are included in the Lease with respect to asphalt and cement.



## 14.0 PAYMENT MECHANISM

### *Conclusions:*

*We find the provisions and protocols for receiving Port Authority funds to be straightforward and clearly articulated in the Lease, and therefore should not pose difficulty to LGP or the DBJV. Additionally, the DBJV has prepared a list of Eligible Costs extracted from the base estimate. We have reviewed the list of Eligible Costs and confirm that the value is in excess of the available Port Authority Funding limit. This should ensure that the full \$1,000,000,000 can be obtained from the Port Authority.*

### 14.3 Rental Payments

14.3.1 The Lessee agrees to pay, fund or apply rentals and other amounts as follows:

- i. the Lessee will pay the Permitted O&M Expenses as and when such amounts become due and payable. These expenses will be paid senior and prior to the payment of any Lessee Debt or debt service;
- ii. from the Lease Commencement Date to and including the Expiry Date, the Lessee will pay the Port Authority a rental payment equal to \$15,000,000 per annum (the "Base Rent"). The Base Rent will be payable in monthly installments;
- iii. from the earlier of January 1, 2020 or the commencement of the O&M Period, the Base Rate may be adjusted by the greater of (x) a percentage composed of the CPI Percentage Increase (not to exceed 6% in any Calendar Year) and (y) 2% per annum;
- iv. in the event that the Lessee enters into a Leasehold Mortgage, the Lessee will pay the Port Authority \$500,000 for each such mortgage each Calendar Year beginning in the year in which Substantial Completion occurs until all amounts have been released (the "First Additional Rent"); and
- v. [Second Additional Rent payment terms to be drafted following the selection of Preferred Proposer. This is essentially a revenue share payment to the Port Authority.]

14.3.2 The Base Rent, First Additional Rent, Second Additional Rent or any other sums will not be paid more than one month in advance of the due date thereof.

14.3.3 The occurrence or continuation of a Force Majeure Event will not excuse the Lessee from the payment of Base Rent, First Additional Rent or Second Additional Rent.

14.3.4 Under Exhibit 33, the total rental charges that are payable by the Lessee will be reduced by the amount of CH O&M Expenses. This means that the Port Authority will be responsible for any Permitted O&M Expenses outlined in the approved Central Hall Annual Budget related to the operation and maintenance of the Central Hall.

### *Conclusions:*

*Section 4 of the Lease clearly lays out that the minimum rental payable by Lessee will be \$15 million plus adjustments for inflation.*



## 14.0 PAYMENT MECHANISM

*We note that all rents described in Article 4 remain payable during the occurrence of a Force Majeure Event.*

### 14.4 Revenues

14.4.1 LGP engaged Ricondo & Associates, Inc. (“Ricondo”) to review projected Project revenues, including the demand for air service at Terminal B, and terminal rates and charges, as prepared by WJ Advisors LLC (“WJ Advisors”). We are in receipt of Ricondo’s draft “Report of the Airport Consultant” dated April 21, 2016. Ricondo’s report is to be included in the Official Statement for the Series 2016 Bonds. This section is intended to present a high level overview of the revenue streams anticipated for the Project. Please refer to Ricondo’s report for full details of projected revenues.

14.4.2 Ricondo’s report uses the following inputs from LGP’s advisors:

- Activity forecast prepared by Oliver Wyman;
- O&M Projections prepared by Manager and Stantec;
- Non-airline revenue prepared by Pragma Consulting; and
- Airline-revenue prepared by WJ Advisors.

### 14.5 Airline Revenues

14.5.1 WJ Advisors applied common airline industry practices and a rate-making methodology to annually calculate airline revenues for new Terminal B. The methodology is structured to allow the Lessee to recover much of the capital, operating or other costs associated with Terminal B.

14.5.2 The Existing Airline Subleases between the Port Authority and the current airline users of the Terminal B Facilities expired on December 31, 2015, and such airlines have since been operating at the Existing Terminal B Facilities as holdover tenants. The Port Authority and such airlines have negotiated Extension Agreements that would extend the term of the Existing Airline Subleases for six years, and confirm certain rent or fee increases. Upon reaching Lease Commencement, the Lessee will be assigned the existing agreements with the airlines. These agreements would remain in effect until each tenant is relocated to the New Terminal B.

14.5.3 The proponent expects to negotiate and enter into an Airline Lease and Use Agreement (“AULA”) with each of the airline tenants.

14.5.4 The airline revenue model developed for LGP was based on the following inputs:

- Capital expenditures;
- Operating expenditures;
- Construction phasing and schedule;
- Retail strategy; financing costs; and
- Traffic forecast.

## 14.0 PAYMENT MECHANISM

- 14.5.5 A critical element of the model inputs is the Traffic Forecast as airline activity will be the key driver of airport revenues in Terminal B. Refer to Section 8.0 of this report for comments on the Traffic Forecast.
- 14.5.6 To forecast the Existing Terminal B revenues for the construction period, the actual 2014 payments made by the airlines to the Port Authority were used as a baseline. Assumptions were then made to separate the concourse and headhouse revenues. This allows WJ Advisors to assess the potential revenues more accurately during the construction phase when new concourse facilities are available prior to new headhouse facilities.
- 14.5.7 WJ Advisors employed two models to calculate the airline revenues in the New Terminal B. The first model calculates the monthly revenues which addresses the availability of new facilities during construction. A second model was developed to calculate annual airline revenues after construction for each phase is complete and the New Terminal B if operational for that phase.
- 14.5.8 As noted above, the rate-making methodology employed used for the New Terminal B forecast is a “commercial compensatory” approach. That is, annual costs are divided by the total rentable space to produce an average rental rate. The rentable space includes both airline and non-airline revenue producing square feet as well as the passenger screening area. Effectively, this method eliminates vacancy risk for certain categories of airline space. The resultant rate is called the Average Terminal Building Rental Rate.
- 14.5.9 This practice is common with airline-financed and owned facilities at other Port Authority airports and therefore, should not pose difficulty for the Lessee when negotiating the AULA with the tenant airlines.
- 14.5.10 Ricondo reviewed airline revenues coming from the following revenue streams:
- Airline office space rent;
  - Bag service office rent;
  - Remain overnight parking fees;
  - Terminal apron fees;
  - Gate/holdroom and loading bridge fees;
  - Baggage claim fees;
  - Outbound baggage system fees;
  - Ticket counter rentals;
  - Airline operations space rent; and
  - Clubroom space rent.
- 14.5.11 Overall, Ricondo found reasonable the projection of airline revenues (excluding fueling systems fees, club room rents and tenant finishes and equipment charges) of \$13.2 million in FY 2018, when the first component of the new terminal is completed, to \$229.8 million in FY 2025.
- 14.5.12 Even though vacancy is not considered a risk, it is important to note that airline activity at LaGuardia is artificially constrained and therefore, it is fair to state that demand outstrips supply.

## 14.0 PAYMENT MECHANISM

- 14.5.13 As another layer of diligence, Ricondo completed a benchmarking exercise. The benchmarking should be taken lightly however as the New York market is exceptional as compared to other US cities.
- 14.5.14 Cost per enplaned passenger (“CPE”) is the most commonly used comparator for airport user fees. Ricondo found the projected CPE with respect to the terminal only for the New Terminal B of approximately \$29.16 in 2020 reasonable.

### *Conclusions:*

*The forecasting and report prepared by Ricondo appears comprehensive and its methodology appropriate for constraints inherent in the Project. With the employment of the rate-based mechanism for calculating airline fees, the proponent should be able to allocate a percentage of costs to the airlines, with the exception of upfront capital costs.*

*The main area of risk lies in LGP’s ability to negotiate the AULAs with each of the tenants..*

## 14.6 Non-Aero Revenues

- 14.6.1 LGP engaged Pragma Consulting to complete a commercial strategy and revenue model for the new Terminal B Facility. A copy of their draft report v6 dated April 14, 2016 has been received and the salient points summarized below.
- 14.6.2 Pragma’s mandate was “to complete commercial due diligence study on current and future design and performance of Terminal B, with a view to creating an optimal commercial concession space and maximizing revenue”.
- 14.6.3 Commercial income comprised 24% of total Central Terminal Building revenue generated in 2012. Commercial income is achieved through the payment of rent for commercial concessionaires to the airport operator. Therefore, maximizing commercial revenue focuses on maximizing the amount of commercial space made available and increasing sales through improved quality commercial goods.
- 14.6.4 Under the Lease, a portion of any revenue of obtained from selling advertising space or telecommunications services is required to be shared with the Port Authority at 50% and 20%, respectively.
- 14.6.5 Pragma has provided the following key inputs into the Sponsors overall design and commercial strategy:
- analyzed the profile and segmentation of the existing passenger base to gather insight into current and potential visit and spend behaviors;
  - developed commercial revenue and income forecast models for both the existing and new Terminal B;
  - prepared the design and layout of commercial space within the new Terminal B and optimization of commercial space during construction, in conjunction with detailed concession space and category planning; and
  - definition and creation of terminal brand experience and concept, to inform commercial strategy and concession mix.

## 14.0 PAYMENT MECHANISM

- 14.6.6 In order to deliver the above inputs, Pragma completed:
- analysis of all commercial information provided by the PANYNJ, and review of existing Terminal B commercial facilities;
  - detailed online survey of 1,172 passengers who passed through LGA Airport in the last 12 months; and
  - compared LGA and Terminal B commercial facilities and performance with benchmark US and global airports.
- 14.6.7 LGP will assume responsibility for the Existing Terminal B as of the date of execution of the Lease, Pragma has developed commercial revenue forecasts for the period of construction prior to the new Terminal B opening (2015-2019) and the period following opening of the new Terminal B (2020-2050).
- 14.6.8 During construction of the new Terminal B, the initial focus will be on maintaining the existing level of retail and food and beverage offerings, and after 6 months, initiate minor changes with the intent to improve product mix and reduce duplication of offerings without compromising the open space.
- 14.6.9 This phasing strategy minimizes the requirement to introduce temporary concessions. If required or desirable, temporary facilities and/or kiosks can be used to maintain the level of commercial offer and service through the terminal to accommodate changing passenger flows.
- 14.6.10 On Pragma's recommendation, LGP plan to consider opportunities to tender and start operations of new concession tenants in the existing Terminal B, in temporary kiosks or in vacant locations where appropriate. This would provide the opportunity to familiarize tenants with the airport operating environment and LGA passenger preferences, and test out concepts and/or product mix in advance of their full launch in the New Terminal B.
- 14.6.11 The Alternative Concept design proposed by LGP not only streamlines the construction phases but allows for a single, early transition to a new, large central retail space upon the opening of the Headhouse. Therefore, the majority of the commercial offer will be available approximately mid-way through the construction period.
- 14.6.12 In the new Terminal B, the strategy will be to accommodate 93% of the concession space post-security as studies indicate this is where passengers complete the majority of purchases. The design strategy for this retail offering is based on the following key principles identified in Pragma's report:
- doubling the amount of commercial lease space available;
  - design a layout consistent with global best practices including having all passengers enter into a "retail hall" immediately upon exiting security;
  - expansion of the range of product categories offered;
  - creating a design focused on making the passenger feel welcome and encouraged to "dwell" in the retail space;
  - negotiation of new and existing rental contracts to maximize yield percentages;
  - active management of concession tenants through a collaborative approach; and

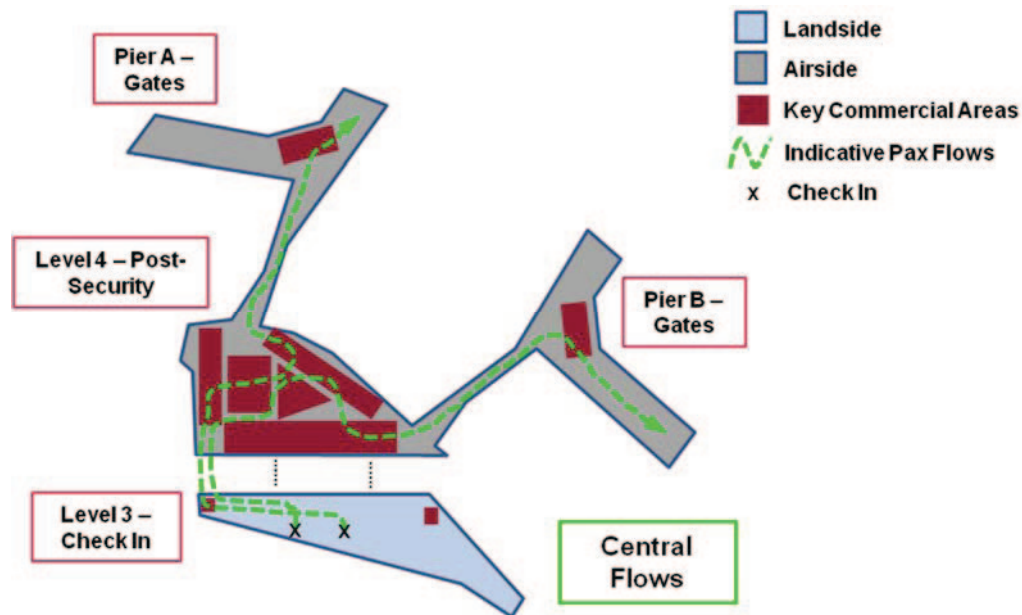
## 14.0 PAYMENT MECHANISM

- optimize product mix between and within categories to suit the passenger mix.

14.6.13 Pragma studied US domestic airports in Portland, Pittsburg, Baltimore, and San Francisco as well as Newark and JFK to test this strategy. The results concluded that all airports with central retail zones have relatively high levels of spend. Those airports which employed split concourse retail layouts showed lower spend per enplaned passenger.

14.6.14 Figure 14.1 below illustrates the design strategy being proposed by LGP, as presented in the Pragma report.

Figure 14.1: New Terminal B; Key Commercial Areas and Passenger Flow Routes



14.6.15 The revenue model produced by Pragma incorporates income generated through Core Revenue and Income Streams which include Duty Free, Specialty Items, News and Gifts, and Food and Beverage, together with Additional Income Streams which include Services (foreign exchange & ATMs), common area maintenance charges, advertising and telecommunications.

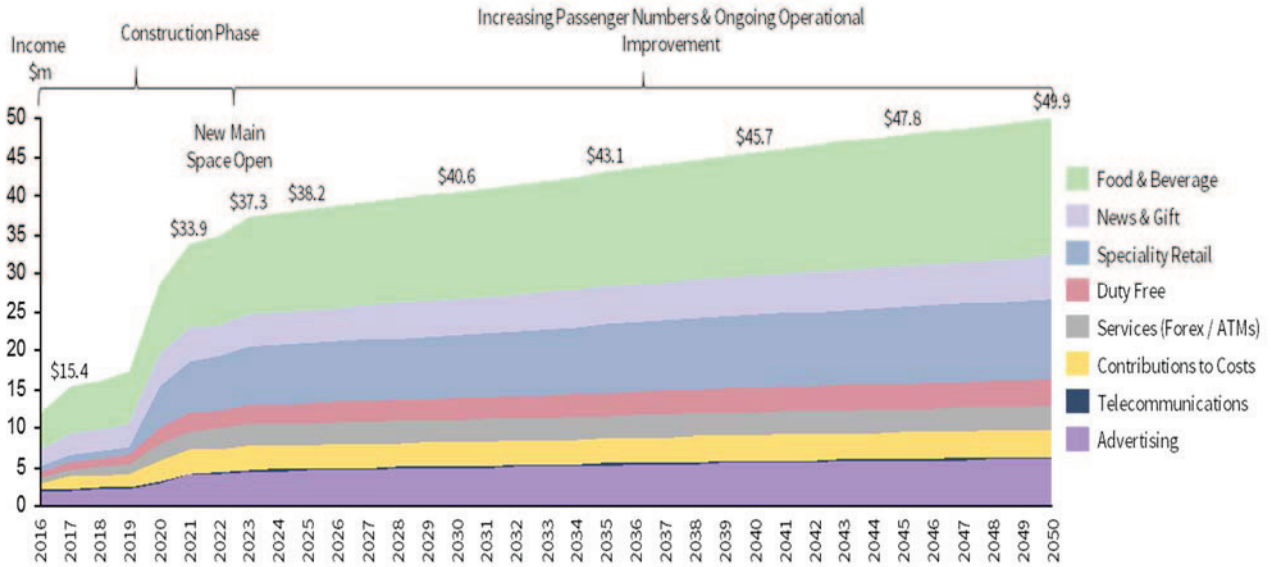
14.6.16 Inputs into the model have been based on historic 2012 data for the existing Terminal B and a target revenue / income per passenger for the new Terminal B space multiplied by the traffic forecast.

14.6.17 The target revenue / income per passenger was developed by analyzing industry-sourced data, top-down evaluation and benchmarking of overall retail and food and beverage spend based on the forecasted passenger mix, and benchmarking of the spend per passenger statistics across the commercial categories in agreed LGA US competitor airports and European domestic and EU Airports.

**14.0 PAYMENT MECHANISM**

14.6.18 Figure 14.2 below prepared by Pragma illustrate the actual and forecasted annual concession sales by category for the duration of the Lease.

Figure 14.2: Actual (2012) and Forecast (2013-2050) Annual Concession Sales



14.6.19 A small increase in sales is forecast during the initial construction period as a result of improved operation practices and the addition of small, kiosk-style retail spaces.

14.6.20 The significant increase in sales is projected in 2018 and 2019 which reflects the opening of the new Terminal B.

14.6.21 The table below, extracted from Pragma’s report, summarizes the target revenue per passenger:

Table 14.1: Forecast Spend per Enplaning Passenger

Sales per Enplaning Pax 2016 \$	Food & Beverage	Duty Free	News & Gift	Speciality Retail	Services
Existing Terminal B (2017)	\$6.97	\$0.54	\$2.50	\$0.75	\$0.38
New Terminal B (2023)	\$8.58	\$1.01	\$2.66	\$4.99	\$1.70

14.6.22 Overall, Pragma forecasts the total spend per enplaned passenger to rise from \$11.43 (2012) to \$23.24(2050) which equates to an overall increase of 108%.

## 14.0 PAYMENT MECHANISM

### *Conclusions:*

*The forecasting and report prepared by Pragma appears comprehensive and its approach is in line with current airport retailing trends. Further we note that Pragma is a well-regarded international firm with extensive experience in preparing these models and layouts for airport facilities.*

*At this time, we do not see any inherent risk in the methodology undertaken in this approach.*

### 14.7 **Payment Adjustment Regime**

- 14.7.1 Exhibit 34 of the Lease describes the Performance Standard and Measurement provisions, which have been included in the Lease to provide the Lessee with a financial incentive to meet the Performance Standards and Response Standards.
- 14.7.2 The Performance Standards and Response Standards will be measured on a semi-annual basis beginning one year after the final date of beneficial occupancy of the new Terminal B. This means there will be no adjustment regime during the time that the Lessee operates the existing terminal during construction of the new Terminal B.
- 14.7.3 The Performance Standards describe the availability requirements for the following systems at the new Terminal B:
- Flight Information Display System (“FIDS”);
  - Baggage Information Display System (“BIDS”);
  - Common Use System;
  - Passenger Boarding Bridges (“PBB”);
  - Access Control System;
  - CCTV System;
  - Paging/Intercom System;
  - Baggage System; and
  - Vertical and Horizontal Passenger Conveyance.
- 14.7.4 Generally, these systems must be in-service and available for use 95% of the time during each semi-annual Performance Review Period.
- 14.7.5 The Response Standards describe the response times that the Lessee must meet when one of the systems listed above becomes unavailable and adversely impacts the level of service. Generally, the Lessee must respond within 30 or 45 minutes in 95% of the cases when a system fails.
- 14.7.6 The Lessee will be responsible for developing the methodology for measuring the Performance Standards and Response Standards, which will be subject to review by the Port Authority. The Lessee will provide a Performance Standard Report to the Port Authority at the end of each semi-annual measurement period.
- 14.7.7 The Lessee’s failure to achieve the Performance Standards and the Response Standards may result in a reduction to the Terminal Operator’s management fee allowable within Permitted O&M Expenses. Under the MSA Term Sheet dated May 5, 2014, the Terminal Operator’s Management Fee is a fee paid to the



## 14.0 PAYMENT MECHANISM

Terminal Operator over and above the operations and maintenance costs for performing the Services. The adjustment to the Management Fee will therefore affect the Terminal Operator’s profits but will have no impact on the performance of the Services and will not impact the Lessee or its ability to meet its debt obligations.

14.7.8 The reduction to the Terminal Operator’s Management Fee will be applied annually based on the number of standards that the Lessee fails to achieve.

Standards Missed During Year	Adjustment to Management Performance Fee
2 or less	0%
3 or 4	– 5%
5 or 6	– 10%
7 or 8	– 15%
9 or 10	– 20%
More than 10	– 25%

*Conclusions:*

*We consider the risk of the payment adjustment regime to be mitigated by the following factors:*

- *The Performance Standards and Response Standards adjustment regime results in an adjustment to the Terminal Operator’s Management Fee and does not impact the Lessee or its ability to make debt service payments;*
- *Failure to meet the Performance Standards and Response Standards does not result in an Event of Default under the Lease.*
- *Planned maintenance activities will not count towards system unavailability provided that the Lessee ensures that downtime for planned maintenance has a minimum effect on terminal operations and schedules planned maintenance during periods of low activity where reasonably practicable.*
- *The Lessee will not incur any payment adjustments if a system failure is caused by any circumstance beyond the Lessee’s reasonable control and is not due to any fault or negligence of the Lessee.*
- *If the Lessee incurs payment adjustments in any three consecutive semi-annual measurement periods while operating the facilities in line with Best Management Practice, the Lessee and Port Authority will suspend all further payment adjustments pending an evaluation of the payment adjustment regime.*
- *The Lessee and Port Authority will review the Performance Standards every 5-years and may adjust the standards to account for changing market conditions, current best practices and the ageing condition of Terminal B.*
- *Once system availability drops below 95% in a semi-annual period, it doesn’t matter how much worse performance may become (i.e. 50% system availability is treated the same as 94% system availability).*
- *In order to generate payment adjustments, three or more systems must fail to meet the Performance Standards or Response Standards.*



## 15.0 EQUATOR PRINCIPLES

### 15.1 *The Equator Principles*

15.1.1 The Equator Principles were established by the project finance sector to document a benchmark for the consideration of environmental and social risk factors during the due diligence process of assessing requests for project finance.

15.1.2 The risk management considers business, credit, environmental and reputation risk. The Equator Principles allow financial institutions to assess, document, mitigate and report upon the particular project and its potential risks. Although the initial rationale for the Equator Principles was directed at finance for emerging markets and Lesser Developed Countries it has become best practice to consider the Principles for all projects.

15.1.3 There are ten basic Equator Principles that were documented in 2013; these are presented following.

- Principle 1: Review and Categorization
- Principle 2: Social and Environmental Assessment
- Principle 3: Applicable Social and Environmental Standards
- Principle 4: Environmental and Management System and Equator Principles Action Plan
- Principle 5: Stakeholder Engagement
- Principle 6: Grievance Mechanism
- Principle 7: Independent Review
- Principle 8: Covenants
- Principle 9: Independent Monitoring and Reporting
- Principle 10: Reporting and Transparency

15.1.4 The Equator Principles were developed with the active participation of the World Bank Group's International Finance Corporation ("IFC") and require projects to be categorized according to three levels of impact on the social and environmental landscape:

- Category A: Potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
- Category B: Projects that are defined by the IFC as having potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through well proven mitigation measures.
- Category C: These are projects that are defined by the IFC as having minimal, or no, social or environmental impacts.

15.1.5 We note that the IFC have typically categorized transportation infrastructure projects as Category C or, when delivered in non-OECD countries, potentially Category B. Since the likely significant concern of the IFC will be environmental risk we are of the opinion that for the Project, the mitigation of these concerns has been confirmed by the due diligence of the Environmental, Hazardous Materials and Geotechnical investigations that have already been completed.

## 15.0 EQUATOR PRINCIPLES

- 15.1.6 Please refer to Section 7 – Site Conditions where we have reviewed the site investigation reports carried out by or on behalf of the Port Authority.
- 15.1.7 The Port Authority received a FONSI/ROD for Stage 1 design in December 2014. Due to design changes, the Port Authority prepared a Written Reevaluation (WR), and FAA issued a FONSI/ROD for the WR on December 30, 2015.

### 15.2 *LaGuardia Airport CTB Replacement Project: Application of Equator Principles*

- 15.2.1 The environmental and project approval processes for new transportation infrastructure projects in United States meet with all the requirements of the Equator Principles.
- 15.2.2 The Project has benefited from the public process that was mandated by the FAA via the NEPA process, which also satisfied the requirements of the City of New York and the Borough of Queens. We consider that the proposed development will have a very low negative social/environmental impact. Since the Project will improve the public's access to aviation services, it is considered that the overarching social impact is positive. We also report that because the Project will be delivered as a LEED Silver certified project, the environmental impacts are demonstrated as also positive.
- 15.2.3 We are of the opinion that the Project should be designated Category C rather than Category B for the following reasons:
- The planning has occurred in an OECD country with well-established regulation;
  - No significant negative social impacts are perceived that warrant specific analysis;
  - Construction activities will be appropriately controlled by means of conscientious and well developed regulations;
  - The Project will be delivered by a team that is well experienced in meeting required regulatory process;
  - The Project is being delivered under the auspices of a government regulated authority and meeting state and city requirements will be high on the agenda;
  - Following completion of the Project there will be minimal new emissions and the potential for sanitary and storm-water pollution will be remote.

#### *Conclusions:*

*The appropriate categorization for the Project is Category C where the project has "minimal or no social or environmental impacts" as defined by the IFC guidelines.*



APPENDIX A  
Construction Phasing





















- EXISTING
- COMPLETE BUILDING
- EXISTING BUILDING
- COMPLETE APPROX/ROAD GROUND
- EXISTING APPROX/ROAD
- COMPLETE ROAD STRUCTURE
- TEMPORARY LAZAR/NOI GATEWAYS/ROADS
- UNDER CONSTRUCTION BUILDING
- UNDER CONSTRUCTION APPROX/ROAD
- PRIMARY SECURITY LINE AIRSIDE FENCE
- PRIMARY SECURITY LINE LANDSIDE FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/CROSS
- GUARD BOOTH
- RAIL STOP
- PLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD # GATES
- ADD # GATES
- ADD # GATES
- EXIST GATES
- GROUND BOARDED PLANE

No.	Date	Revision	Approved

<b>ENGINEERING DEPARTMENT</b>			
<b>LAGUARDIA AIRPORT</b>			
MILESTONE - 05/30/18 IN USE - 06/30/18			

**LAGUARDIA AIRPORT  
CENTRAL TERMINAL BUILDING  
REPLACEMENT PROJECT**

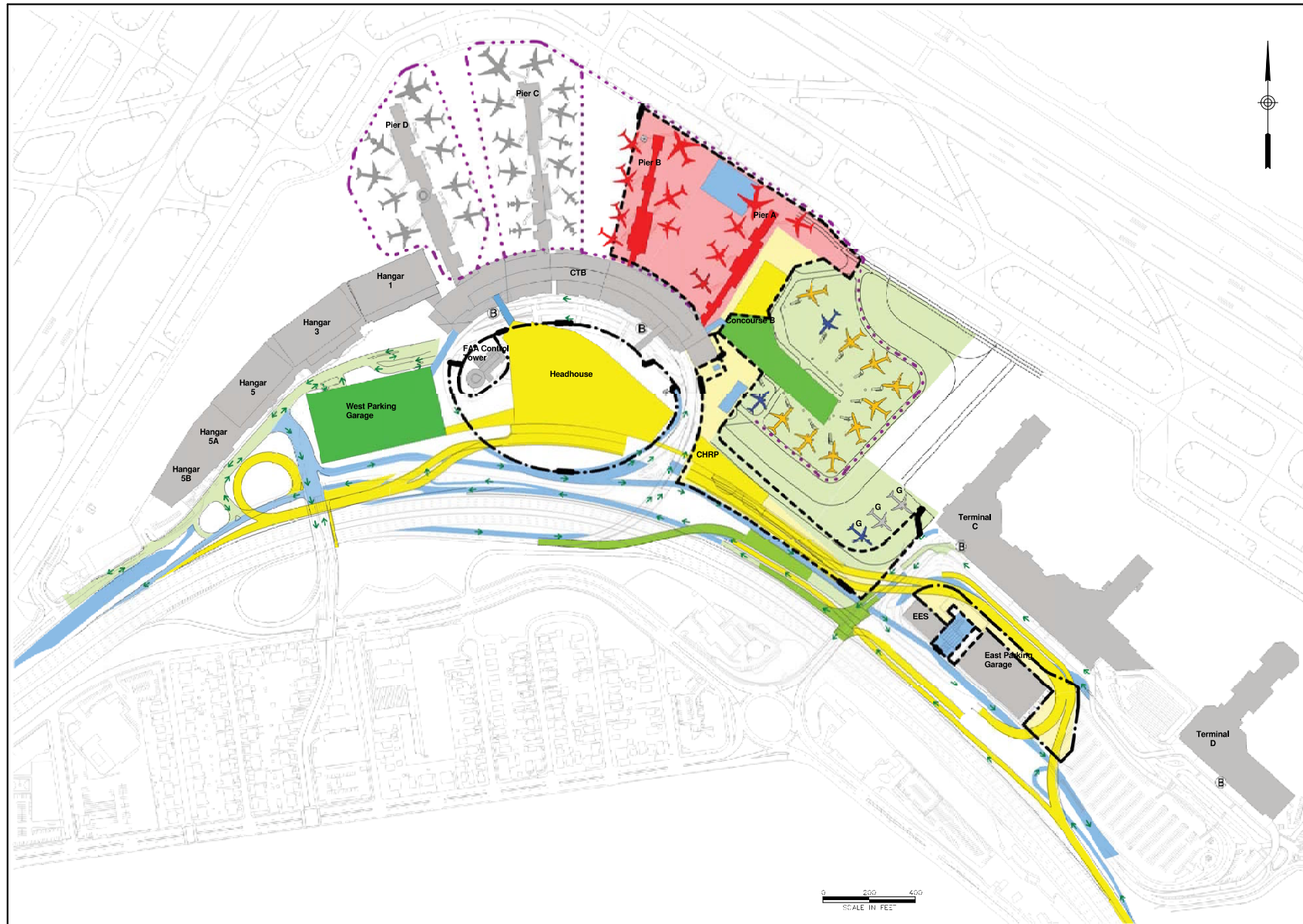
**OVERALL  
PHASE 2A**

This drawing is subject to conditions in contract, all ordinances, laws, regulations and applicable codes and is prepared by Port Authority and may not be used for any other purpose without the written consent of the Port Authority. The Port Authority and its contractors do not warrant the accuracy or completeness of the information contained in this drawing. The user of this drawing shall be responsible for its use. The user shall indemnify and hold the Port Authority and its contractors harmless from and against all claims, damages, losses and expenses, including reasonable attorneys' fees, that may be incurred by the Port Authority or its contractors as a result of the use of this drawing. The user shall also indemnify and hold the Port Authority and its contractors harmless from and against all claims, damages, losses and expenses, including reasonable attorneys' fees, that may be incurred by the Port Authority or its contractors as a result of the use of this drawing. The user shall also indemnify and hold the Port Authority and its contractors harmless from and against all claims, damages, losses and expenses, including reasonable attorneys' fees, that may be incurred by the Port Authority or its contractors as a result of the use of this drawing.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
Date \_\_\_\_\_ 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV06**





- EXISTING
- COMPLETE BUILDING
- COMPLETE APROAD/ROAD GROUND
- COMPLETE ROAD STRUCTURE
- COMPLETE CONSTRUCTION BUILDING
- COMPLETE CONSTRUCTION APROAD/ROAD
- TEMPORARY LAZBY/NOI, GATEWAY/ROADS
- UNDER CONSTRUCTION APROAD/ROAD
- UNDER CONSTRUCTION BUILDING
- PRIMARY SECURITY LINE
- SECURITY FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- TRAFFIC FLOW
- RAIL STOP
- BLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD BY GATES
- ADD B GATES
- ADD W GATES
- EXIST GATES
- GROUND BOARDED PLANE

No.	Date	Revision	Approved

ENGINEERING DEPARTMENT

**LAGUARDIA AIRPORT**

MILESTONE - 08/30/18  
IN USE - 09/20/18

**LAGUARDIA AIRPORT  
CENTRAL TERMINAL BUILDING  
REPLACEMENT PROJECT**

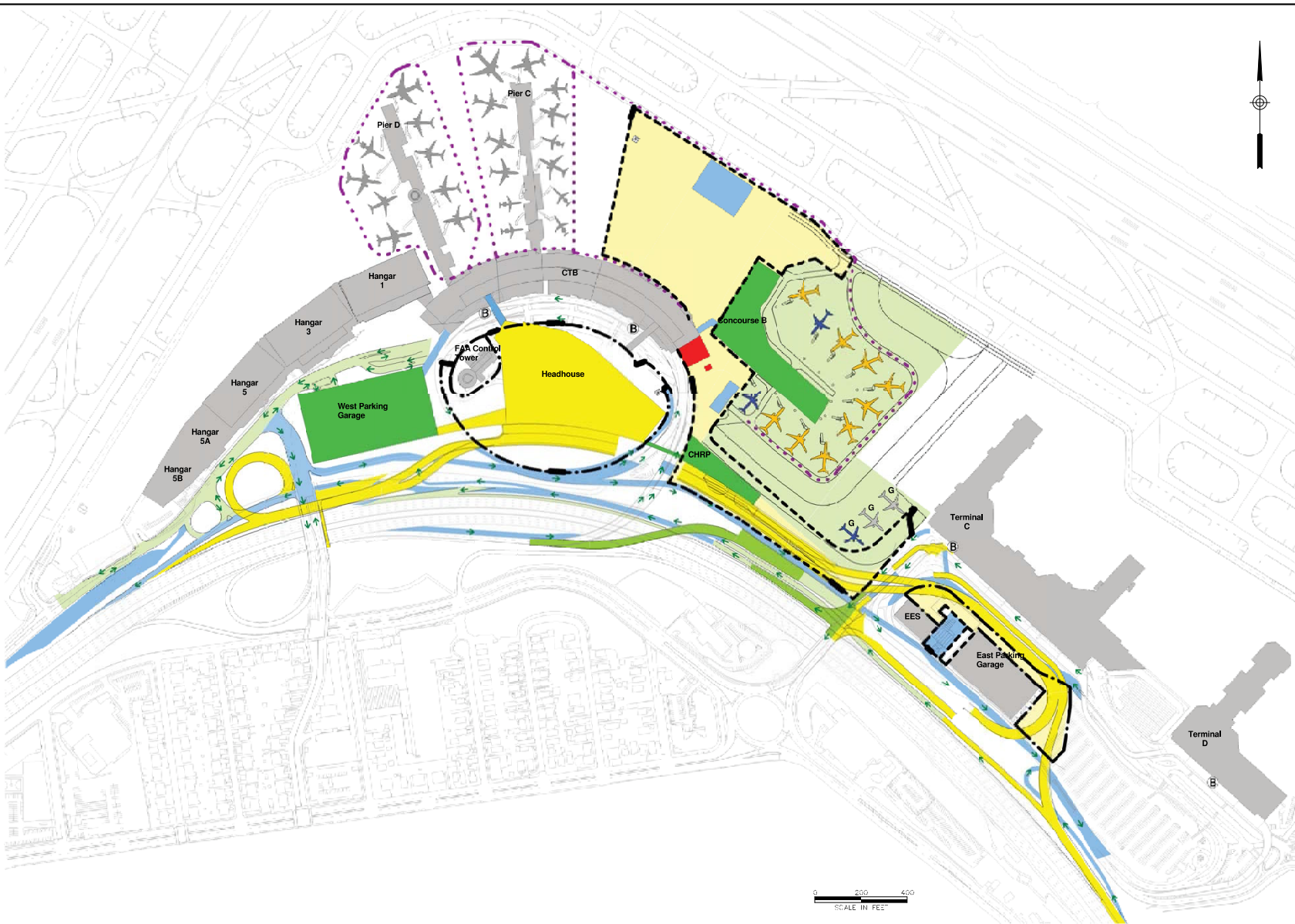
**OVERALL  
PHASE 2B**

This drawing is subject to conditions in contract, all ordinances, laws, regulations and applicable codes and is intended to be used for informational purposes only. It is not to be used for construction purposes without the approval of the Port Authority. The Port Authority is not responsible for any errors or omissions in this drawing. The user of this drawing is advised to verify all dimensions and conditions of the site before construction. The user of this drawing is advised to verify all dimensions and conditions of the site before construction. The user of this drawing is advised to verify all dimensions and conditions of the site before construction.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
Date \_\_\_\_\_ 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV07**









- EXISTING
- COMPLETE BUILDING
- COMPLETE APROAD/ROAD GROUND
- EXISTING BUILDING
- COMPLETE ROAD STRUCTURE
- EXISTING APROAD/ROAD
- UNDER CONSTRUCTION BUILDING
- TEMPORARY LAZBY/ SOIL CEMENT/ROADS
- UNDER CONSTRUCTION APROAD/ROAD
- PRIMARY SECURITY LINE
- ACCESS FENCE
- PRIMARY SECURITY LINE LANDSIDE FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- TRAFFIC FLOW
- SOIL STOP
- PLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD BY GATES
- ADD B GATES
- ADD W GATES
- EXIST GATES
- GROUND BOARDED PLANE

No.	Date	Revision	Approved
ENGINEERING DEPARTMENT			
LAGUARDIA AIRPORT			
11/30/18			
LAGUARDIA AIRPORT CENTRAL TERMINAL BUILDING REPLACEMENT PROJECT			
OVERALL PHASE 3A			

No.	Date	Revision	Approved
ENGINEERING DEPARTMENT			
LAGUARDIA AIRPORT			
11/30/18			
LAGUARDIA AIRPORT CENTRAL TERMINAL BUILDING REPLACEMENT PROJECT			
OVERALL PHASE 3A			

LAGUARDIA AIRPORT CENTRAL TERMINAL BUILDING REPLACEMENT PROJECT

OVERALL PHASE 3A

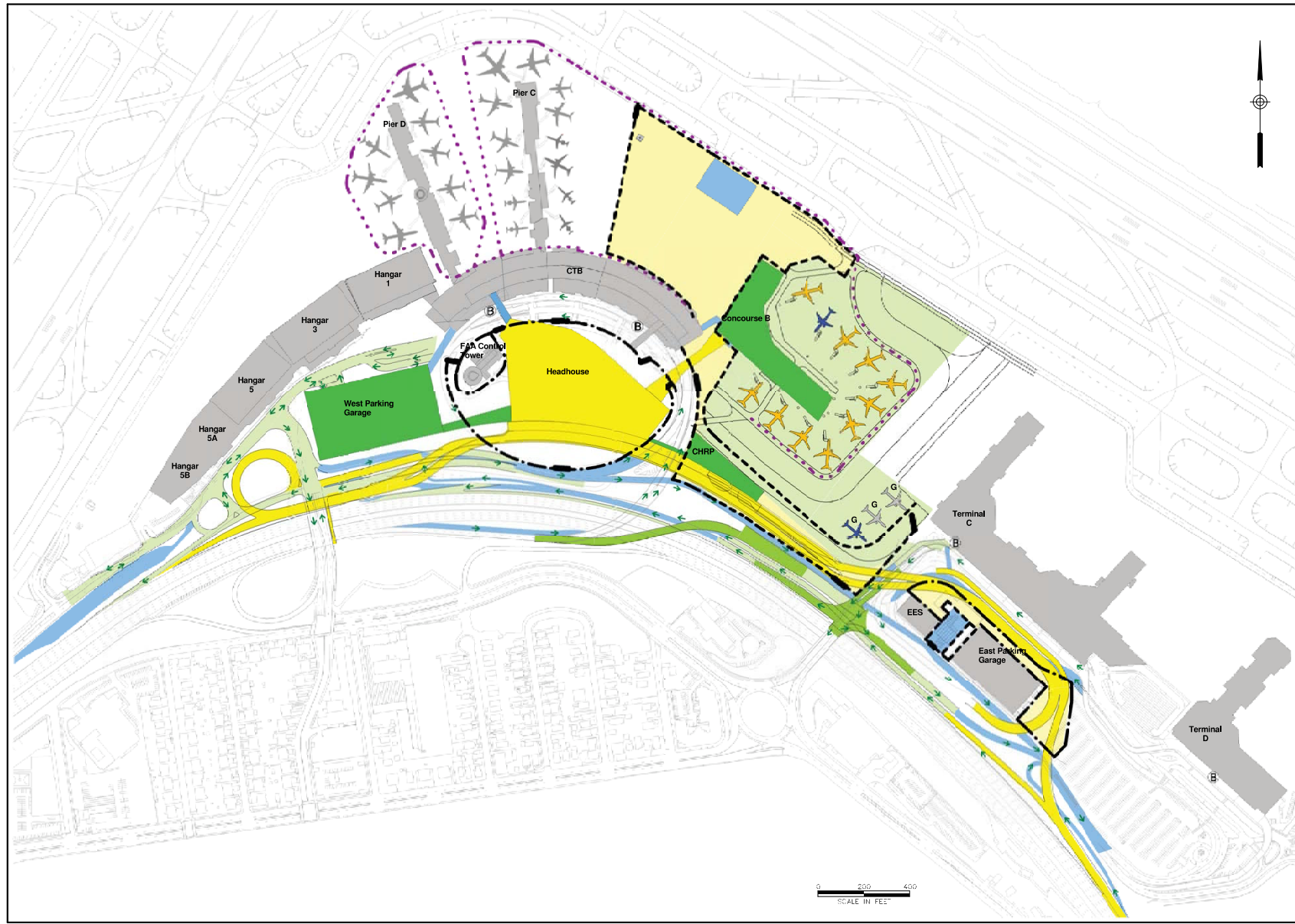
This drawing is subject to conditions in contract, all ordinances, laws, regulations and applicable codes and is intended to be used for informational purposes only. It is not to be used for construction without the approval of the Port Authority. The Port Authority is not responsible for any errors or omissions in this drawing. The user of this drawing is advised to verify all information and conditions before use. The user of this drawing is advised to verify all information and conditions before use. The user of this drawing is advised to verify all information and conditions before use.

Designed by \_\_\_\_\_ Date \_\_\_\_\_

Drawn by \_\_\_\_\_ Date 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV09**





**THE PORT AUTHORITY  
OF NY & NJ**



- EXISTING
- COMPLETE BUILDING
- COMPLETE APROAD/ROAD GROUND
- EXISTING BUILDING
- COMPLETE ROAD STRUCTURE
- TEMPORARY LABEL/NOI, GATEWAY/ROAD
- UNDER CONSTRUCTION APROAD/ROAD
- UNDER CONSTRUCTION BUILDING
- PRIMARY SECURITY LINE
- ACCESS FENCE
- PRIMARY SECURITY LINE LANDSIDE FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- TRAFFIC FLOW
- BOIL STOP
- BLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD BY GATES
- ADD B GATES
- ADD W GATES
- ADD G GATES
- GROUND BOARDED PLANE

No.	Date	Revision	Approved
ENGINEERING DEPARTMENT			
<b>LAGUARDIA AIRPORT</b>			
IN USE - 01/11/19			
LAGUARDIA AIRPORT CENTRAL TERMINAL BUILDING REPLACEMENT PROJECT			
OVERALL PHASE 3B			

No.	Date	Revision	Approved
ENGINEERING DEPARTMENT			
<b>LAGUARDIA AIRPORT</b>			
IN USE - 01/11/19			
LAGUARDIA AIRPORT CENTRAL TERMINAL BUILDING REPLACEMENT PROJECT			
OVERALL PHASE 3B			

IN USE - 01/11/19

LAGUARDIA AIRPORT  
CENTRAL TERMINAL BUILDING  
REPLACEMENT PROJECT

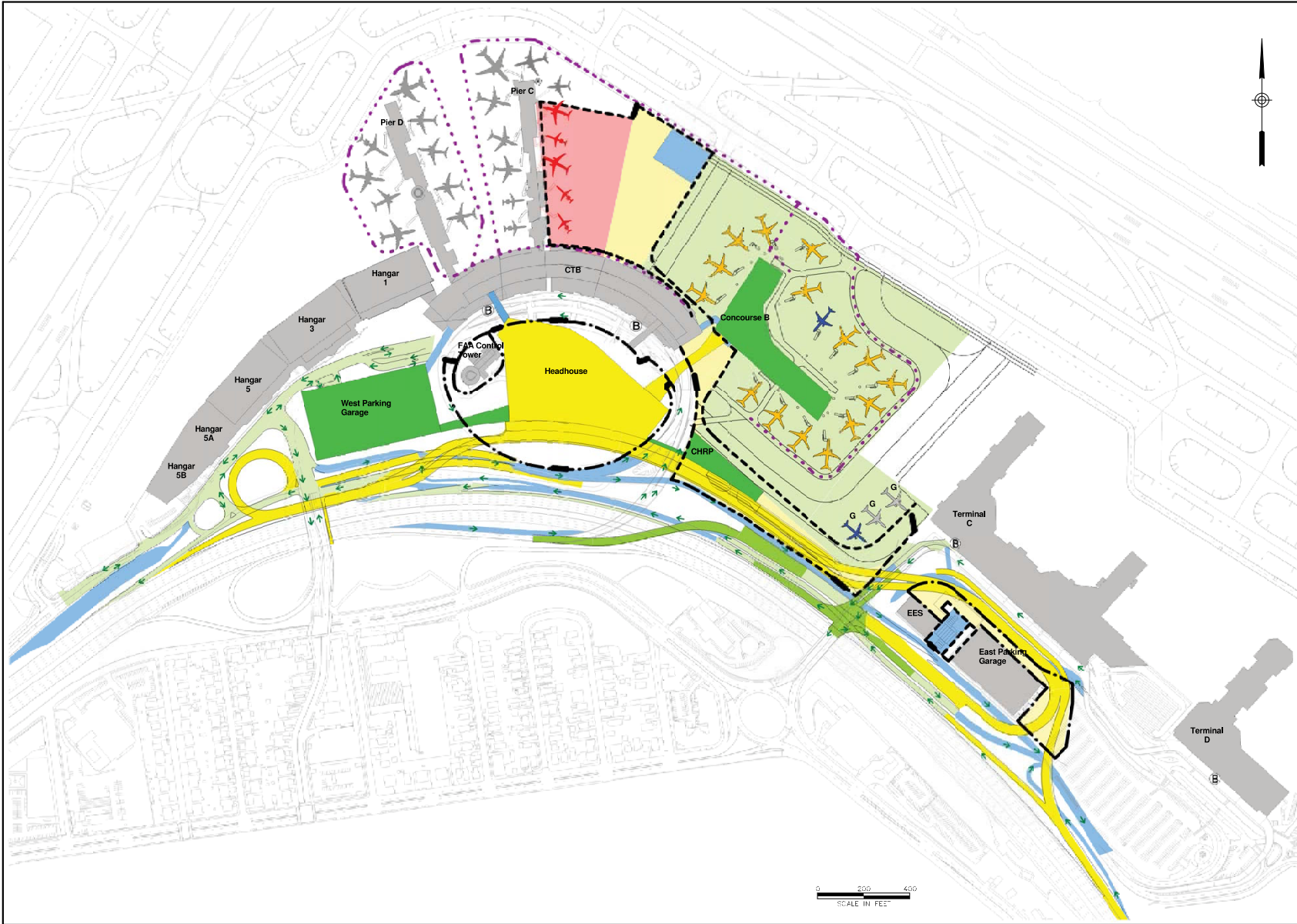
OVERALL  
PHASE 3B

This drawing is subject to modification in response to changes in laws, regulations, codes, standards, and other applicable requirements. The Port Authority and its staff are not responsible for the accuracy of the information provided in this drawing. The user of this drawing is advised to verify the accuracy of the information provided in this drawing. The user of this drawing is advised to verify the accuracy of the information provided in this drawing. The user of this drawing is advised to verify the accuracy of the information provided in this drawing.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
Date \_\_\_\_\_ 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV10**



0 200 400  
SCALE IN FEET



- EXISTING
- COMPLETE BUILDING
- EXISTING BUILDING
- COMPLETE APPROACH/ROAD GRADING
- EXISTING APPROACH/ROAD
- COMPLETE ROAD STRUCTURE
- TEMPORARY LAZARUS/NOI GATEWAYS/ROADS
- UNDER CONSTRUCTION BUILDING
- PRIMARY SECURITY LINE
- SECURITY FENCE
- PRIMARY SECURITY LINE
- LANDSIDE FENCE
- CONSTRUCTION FENCE
- GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- TRAFFIC FLOW
- RAIL STOP
- BLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD B GATES
- ADD B GATES
- ADD B GATES
- ADD B GATES
- GROUND BOARDED PLANE

No.	Date	Revision	Approved

**ENGINEERING DEPARTMENT**  
**LAGUARDIA AIRPORT**

02/20/19

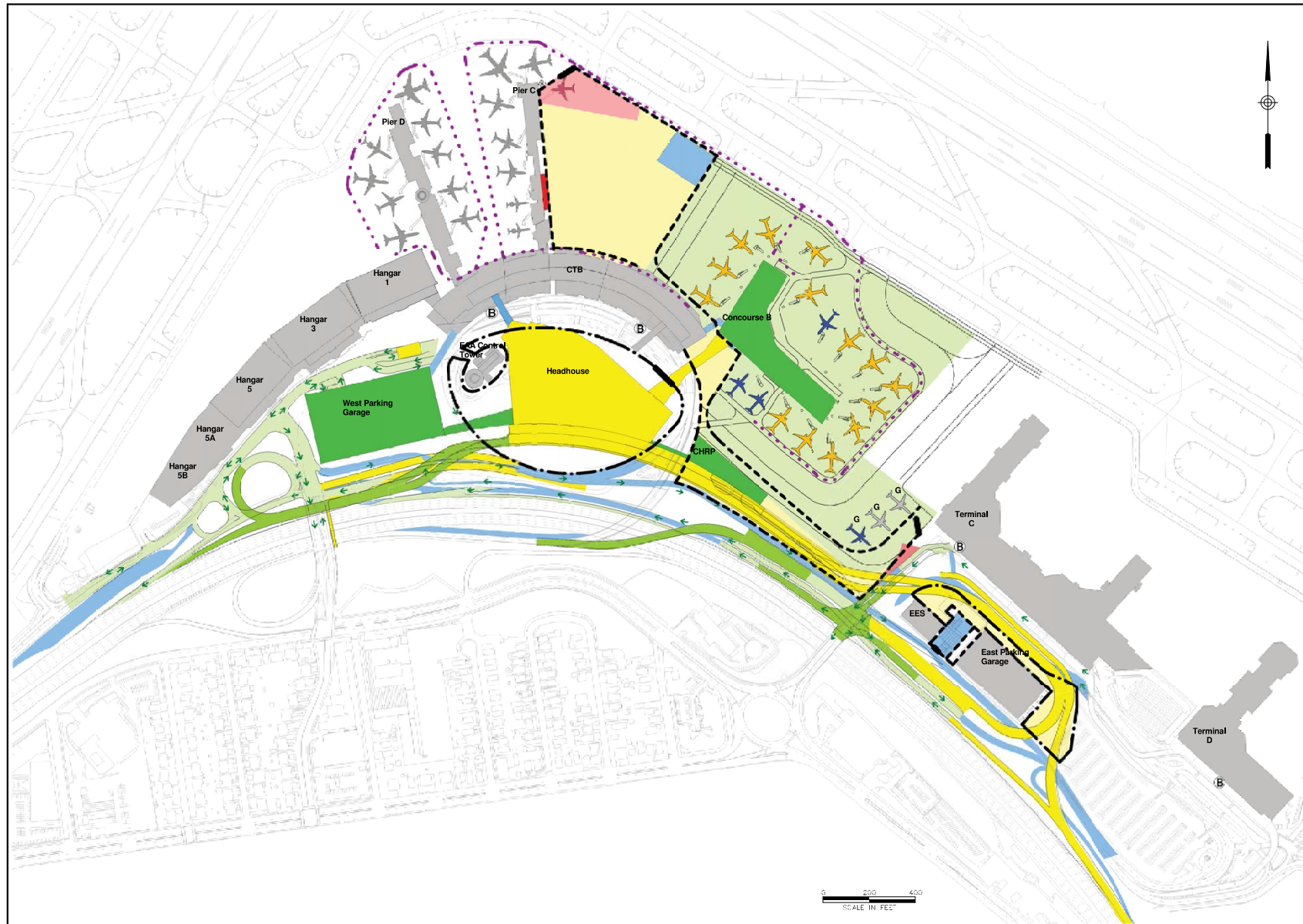
**LAGUARDIA AIRPORT**  
**CENTRAL TERMINAL BUILDING**  
**REPLACEMENT PROJECT**  
**OVERALL**  
**PHASE 3C**

This drawing is subject to conditions in contract, all ordinances, laws, rules and regulations, and all orders of the Port Authority and this not to be construed as a contract. The drawing is for informational purposes only and is not to be used for any other purpose without the express written consent of the Port Authority. The drawing is for informational purposes only and is not to be used for any other purpose without the express written consent of the Port Authority. The drawing is for informational purposes only and is not to be used for any other purpose without the express written consent of the Port Authority.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
Date \_\_\_\_\_ 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV11**







- EXISTING
- COMPLETE BUILDING
- COMPLETE APPROACH/ROAD GROUND
- COMPLETE ROAD STRUCTURE
- TEMPORARY LABELS/NOI, GATEWAYS/ROADS
- UNDER CONSTRUCTION BUILDING
- UNDER CONSTRUCTION APPROACH/ROAD
- PRIMARY SECURITY LINE
- SECURITY LINE LANDSIDE FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- RAIL STOP
- PLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD B1 GATES
- ADD B2 GATES
- ADD B3 GATES
- ADD B4 GATES
- GROUND BOARDING PLANE

No.	Date	Revision	Approved

ENGINEERING DEPARTMENT

**LAGUARDIA AIRPORT**

MILESTONE - 01/06/20  
IN USE - 02/08/20

**LAGUARDIA AIRPORT  
CENTRAL TERMINAL BUILDING  
REPLACEMENT PROJECT**

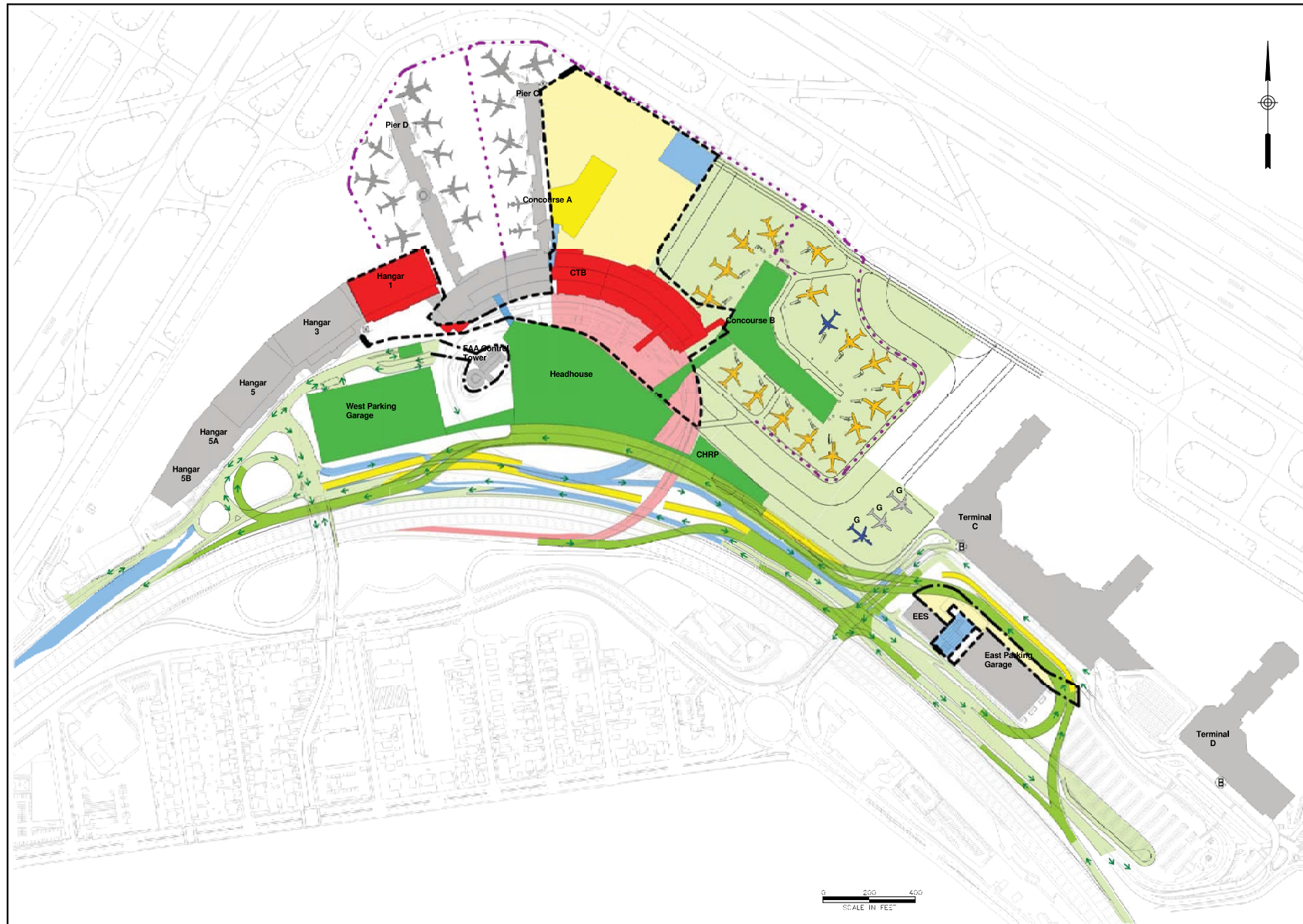
**OVERALL  
PHASE 4A**

This drawing is subject to modification in order to correct all omissions, errors, omissions and conflicts herein and approved by Port Authority and this not to be construed as a contract. The drawings, including all notes and specifications are the property of the Port Authority and shall remain the property of the Port Authority. The drawings are provided for the use of the contractor and shall not be used for any other purpose without the written consent of the Port Authority. The contractor shall be responsible for obtaining all necessary permits and approvals from the appropriate authorities. The contractor shall be responsible for obtaining all necessary permits and approvals from the appropriate authorities. The contractor shall be responsible for obtaining all necessary permits and approvals from the appropriate authorities. The contractor shall be responsible for obtaining all necessary permits and approvals from the appropriate authorities.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
Date \_\_\_\_\_ 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV12**

















- EXISTING
- EXISTING BUILDING
- COMPLETE APPROX/ROAD GROUND
- COMPLETE APPROX/ROAD
- TEMPORARY LAYOUT/ROAD GATEWAYS/ROADS
- UNDER CONSTRUCTION BUILDING
- PRIMARY SECURITY LINE
- PRIMARY SECURITY LINE LANDSIDE FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- BUS STOP
- PLAST FENCE
- TUG PATH

- EXISTING PLANE
- CLOSED DURING PHASE
- ADD B GATES
- ADD B GATES
- ADD B GATES
- EXISTING GATES
- GROUND BOARDER PLANE

No.	Date	Revision	Approved

<b>ENGINEERING DEPARTMENT</b>			
<b>LAGUARDIA AIRPORT</b>			
MILESTONE - 12/10/21 IN USE - 01/19/22			

**LAGUARDIA AIRPORT  
CENTRAL TERMINAL BUILDING  
REPLACEMENT PROJECT**

**OVERALL  
PHASE 6A**

This drawing is subject to modification in order to correct all omissions, errors, discrepancies and conflicts herein and approved by Port Authority and this not to be construed as a contract. The drawings, including details and notes are an integral part of the contract documents and together with any addendum or modification to the contract documents shall constitute the entire contract. The Contractor shall be responsible for the interpretation of the contract documents and shall be responsible for the interpretation of the contract documents. The drawings shall be used for the purpose of the contract and shall not be used for any other purpose. The drawings shall be used for the purpose of the contract and shall not be used for any other purpose. The drawings shall be used for the purpose of the contract and shall not be used for any other purpose.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
Date \_\_\_\_\_ 3/14/16

Contract Number \_\_\_\_\_

Drawing Number **OV17**









- EXISTING
- COMPLETE BUILDING
- EXISTING BUILDING
- COMPLETE APPROACH/ROAD GROUND
- EXISTING APPROACH/ROAD
- COMPLETE ROAD STRUCTURE
- TEMPORARY LAZARUS/NOI GATEWAYS/ROADS
- UNDER CONSTRUCTION BUILDING
- PRIMARY SECURITY LINE
- HETERO FENCE
- PRIMARY SECURITY LINE LANDSIDE FENCE
- CONSTRUCTION FENCE GATE FOR ACCESS/EGRESS
- GUARD BOOTH
- BUS STOP
- TRAFFIC FLOW
- BLAST FENCE
- TUG PATH

No.	Date	Revision	Approved
<b>ENGINEERING DEPARTMENT</b>			
<b>LAGUARDIA AIRPORT</b>			
IN USE - 07/08/22			

**LAGUARDIA AIRPORT  
CENTRAL TERMINAL BUILDING  
REPLACEMENT PROJECT**

**OVERALL  
PHASE 7**

This drawing is subject to modification in order to correct all omissions, errors, omissions and conflicts herein and approved by Port Authority and this not to constitute a contract. The drawings, including details and notes are an integral part of the contract documents and together with any addenda and specifications shall constitute the entire contract. The Contract Documents shall govern in the event of any discrepancy between the drawings and specifications. The drawings and specifications shall be read together and shall be construed as a whole. The drawings and specifications shall be read together and shall be construed as a whole. The drawings and specifications shall be read together and shall be construed as a whole. The drawings and specifications shall be read together and shall be construed as a whole.

Designed by \_\_\_\_\_ Drawn by \_\_\_\_\_  
 Date \_\_\_\_\_ 3/14/16  
 Contract Number \_\_\_\_\_  
 Drawing Number **OV19**



0 200 400  
SCALE IN FEET



**APPENDIX B**  
**Contractor Replacement Scenarios**



## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

April 15, 2016

## Security Package Analysis: Contractor / Guarantor Insolvency

Contract Price	"CP"			\$	3,981,650,247
Construction Costs				\$	3,145,503,695
General Requirements, Procurement, Bonding & Insurance, Contingency				\$	836,146,552

Key Dates			Date	Months from FC
Financial Close	"FC"		May 31, 2016	n/a
Date of Beneficial Occupancy (DBO) #1: Concourse B1	"DBO1"		May 30, 2018	24 mths
DBO#2: Concourse B2	"DBO2"		August 30, 2018	27 mths
DBO#3: HEADHOUSE	"DBO3"		January 6, 2020	43 mths
DBO#4: Concourse A1	"DBO4"		July 30, 2020	50 mths
DBO#5: Concourse A2	"DBO5"		December 10, 2021	66 mths
Substantial Completion	"SC"		July 8, 2022	73 mths
Final Acceptance	"FA"		November 5, 2022	77 mths

Liquidated Damages		Daily LDs	Max Delay (Days)	Max LDs
DBO#1 LDs: Concourse B1		\$ 58,598.95	951	\$ 55,727,601
DBO#2 LDs: Concourse B2		\$ 26,267.26	725	\$ 19,043,764
DBO#3 LDs: Headhouse		\$ 261,292.13	365	\$ 95,371,627
DBO#4 LDs: Concourse A1		\$ 38,938.45	547.5	\$ 21,318,801
DBO#5: LDs Concourse A2		\$ 112,923.60	484	\$ 54,655,022
Substantial Completion LDs (Pre-Dec 31 2022)		\$ 53,093.83	176	\$ 9,344,514
Substantial Completion LDs (Post-Dec 2022)		\$ 83,756.82	189	\$ 15,830,039

Security Package			% of CP	Value
Liability Cap (pre-completion of Headhouse)	"Cap_1"		40.0%	\$ 1,592,660,099
Liability Cap (post-completion of Headhouse)	"Cap_2"		30.0%	\$ 1,194,495,074
LD Sub-Cap	"Sub_Cap"		8.0%	\$ 318,532,020
D&C Guarantee: Skanska (pre-completion of the Headhouse)	"Skanska_DCG_1"		40.0%	\$ 1,592,660,099
D&C Guarantee: Walsh (pre-completion of the Headhouse)	"Walsh_DCG_1"		40.0%	\$ 1,592,660,099
D&C Guarantee: Skanska (post-completion of the Headhouse)	"Skanska_DCG_2"		30.0%	\$ 1,194,495,074
D&C Guarantee: Walsh (post-completion of the Headhouse)	"Walsh_DCG_2"		30.0%	\$ 1,194,495,074
Letter of Credit (Pre-DBO#3 - 1/6/20+)	"LoC_1"		6.5%	\$ 258,807,266
Letter of Credit (Post-DBO#3 - 1/7/20+)	"LoC_2"		3.5%	\$ 139,357,759



## Security Package Analysis: Contractor / Guarantor Insolvency

Replacement Contractor Premium Summary		Total Premium	% of CP	Residual Security (D&C Guarantees, Letter of Credit)
Scenario 1:	DBJV insolvency immediately preceding Financial Close	\$ 164,619,396	4.1%	\$ 1,428,040,702
Scenario 2:	Immediately preceding DBO#1: Completion of Concourse B1	\$ 288,820,995	7.3%	\$ 1,303,839,103
Scenario 3:	Immediately preceding DBO#3: Completion of Headhouse	\$ 203,384,305	5.1%	\$ 1,389,275,794
Scenario 4:	Immediately preceding DBO#4: Completion of Concourse A1	\$ 136,193,294	3.4%	\$ 1,058,301,780
Scenario 5:	Immediately preceding DBO#5: Completion of Concourse A2	\$ 33,220,220	0.8%	\$ 1,161,274,854
Scenario 6:	DBJV insolvency immediately preceding the operations phase	\$ 7,017,254	0.2%	\$ 1,187,477,819

Liquid Security Analysis		Total Liquid Premium	% of Letter of Credit	Residual Liquid Security (Letter of Credit)	Total Days of LDs Remaining Coverage
Scenario 1:	DBJV insolvency immediately preceding Financial Close	\$ 31,970,396	12.4%	\$ 226,836,870	399
Scenario 2:	Immediately preceding DBO#1: Completion of Concourse B1	\$ 104,413,995	40.3%	\$ 154,393,271	280
Scenario 3:	Immediately preceding DBO#3: Completion of Headhouse	\$ 85,711,305	33.1%	\$ 173,095,961	359
Scenario 4:	Immediately preceding DBO#4: Completion of Concourse A1	\$ 46,087,294	33.1%	\$ 93,270,465	419
Scenario 5:	Immediately preceding DBO#5: Completion of Concourse A2	\$ 24,400,220	17.5%	\$ 114,957,539	612
Scenario 6:	DBJV insolvency immediately preceding the operations phase	\$ 6,790,254	4.9%	\$ 132,567,504	1647

Liquidated Damages Sub-Cap Analysis		Projected LD's	% of CP	% of LD Sub-Cap	Residual LD Subcap
Scenario 1:	DBJV insolvency immediately preceding Financial Close	\$ 30,862,396	0.8%	9.7%	\$ 287,669,623
Scenario 2:	Immediately preceding DBO#1: Completion of Concourse B1	\$ 38,577,995	1.0%	12.1%	\$ 279,954,024
Scenario 3:	Immediately preceding DBO#3: Completion of Headhouse	\$ 45,692,305	1.1%	14.3%	\$ 272,839,715
Scenario 4:	Immediately preceding DBO#4: Completion of Concourse A1	\$ 17,216,294	0.4%	5.4%	\$ 301,315,726
Scenario 5:	Immediately preceding DBO#5: Completion of Concourse A2	\$ 11,621,220	0.3%	3.6%	\$ 306,910,800
Scenario 6:	DBJV insolvency immediately preceding the operations phase	\$ 2,973,254	0.1%	0.9%	\$ 315,558,765

## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

**Replacement Contractor:** Contractor / Guarantor Insolvency  
**Scenario 1:** DBJV insolvency immediately preceding Financial Close  
**Month No:** -1  
**Date:** 30-Apr-16

<b>Delay to progress of Works (Weeks)</b>	<b>8</b>
<b>Revised Substantial Completion Date (Assuming no mitigation/acceleration)</b>	<b>2-Sep-22</b>

Based on termination process, re-tender, evaluation, appointment, all discussions & mobilization.

<b>Contract Price</b>	<b>\$ 3,981,650,247</b>
Less drawdown	\$88,829,169
Maximum Value of Work Completed per Maximum Expenditure Curve.	
<b>Balance of Contract Price to be funded</b>	<b>\$ 3,892,821,000</b>

Additional Costs to Complete	Total Premium		Liquid Portion
<b>Termination procedure fees</b>			
Legal, Tax, Accounting	\$ 500,000		
Technical Advisory	\$ 150,000		
Authority Due Diligence	\$ 150,000	\$ 800,000	\$ 800,000
Reasonable assumption of consulting, advisory and oversight costs			
<b>Project Company costs of Replacement DB Contractor Tender</b>		\$ 308,000	\$ 308,000
Based on allowance of 6 Project Co personnel @ \$400,000 (fully burdened) p/a over delay period			
<b>Design Team costs to review completed design and work in place and develop new tender package</b>		\$ -	\$ -
Allow 5% of Original Design Budget, original design assumed at 8% of capex. Pro-rated for reduced Cost to Complete			
<b>Replacement DB Contractor Mobilization</b>		\$ 65,399,000	\$ -
Based on allowance of 80% of original mobilization costs; pro-rated for reduced Cost to Complete			
<b>Authority LD's Liability</b>	\$ -	\$ -	\$ -
No LD's levied by the City			
<b>Retendered price uplift</b>	1.13%	\$ 34,752,000	\$ -
Based on 2.5% annual escalation rate over Bid date to New Contractor Mobilization date			
<b>Increased fee by new DB Contractor</b>	0.8%	\$ 32,431,000	\$ -
Increased fee for new contractor - provide 1% to 5% linear scale premium on Balance to Complete based on timing of the event			
<b>Ransom Trades, Suppliers &amp; Laborers</b>		\$ -	\$ -
Applicable to Direct Costs only, no General Expenses, Fees, Contingencies etc - cumulatively assumed to be 25% of Contract Price			
<b>Remedial works</b>		\$ -	\$ -
Only Development works carried out so no remedial works required			
<b>Increase in Due Diligence (Post Replacement)</b>		\$ 67,000	\$ -
Based on extended schedule for Due Diligence monitoring Assume base rates: \$3,000 p/m legal; \$12,000 p/m for LTA; \$20,000 p/m for Owner's Engineer			
<b>Total DB Contractor LD's due to delayed achievement of Scheduled Design Build Date</b>		\$ 30,862,396	\$ 30,862,396
<b>Replacement Premium</b>	4.1%	\$ 164,619,396	0.8% \$ 31,970,396
<b>Revised Cost to Complete</b>		\$ 4,057,440,396	n/a

## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

**Replacement Contractor:** Contractor / Guarantor Insolvency  
**Scenario 2:** Immediately preceding DBO#1: Completion of Concourse B1  
**Month No:** 23  
**Date:** 30-Apr-18

<b>Delay to progress of Works (Weeks)</b>	<b>10</b>
<b>Revised Substantial Completion Date (Assuming no mitigation/acceleration)</b>	<b>16-Sep-22</b>

Based on termination process, re-tender, evaluation, appointment, all discussions & mobilization.

<b>Contract Price</b>	<b>\$ 3,981,650,247</b>
Less drawdown	\$2,384,134,498
Maximum Value of Work Completed per Maximum Expenditure Curve.	
<b>Balance of Contract Price to be funded</b>	<b>\$ 1,597,516,000</b>

Additional Costs to Complete	Total Premium		Liquid Portion	
<b>Termination procedure fees</b>				
Legal, Tax, Accounting	\$ 500,000			
Technical Advisory	\$ 150,000			
Authority Due Diligence	\$ 150,000	\$ 800,000		\$ 800,000
Reasonable assumption of consulting, advisory and oversight costs				
<b>Project Company costs of Replacement DB Contractor Tender</b>		\$ 385,000		\$ 385,000
Based on allowance of 6 Project Co personnel @ \$400,000 (fully burdened) p/a over delay period				
<b>Design Team costs to review completed design and work in place and develop new tender package</b>		\$ 6,390,000		\$ 6,390,000
Allow 5% of Original Design Budget, original design assumed at 8% of capex. Pro-rated for reduced Cost to Complete				
<b>Replacement DB Contractor Mobilization</b>		\$ 26,838,000		\$ -
Based on allowance of 80% of original mobilization costs; pro-rated for reduced Cost to Complete				
<b>Authority LD's Liability</b>	\$ -	\$ -		\$ -
No LD's levied by the City				
<b>Retendered price uplift</b>	6.35%	\$ 80,189,000		\$ -
Based on 2.5% annual escalation rate over Bid date to New Contractor Mobilization date				
<b>Increased fee by new DB Contractor</b>	4.8%	\$ 77,297,000		\$ -
Increased fee for new contractor - provide 1% to 5% linear scale premium on Balance to Complete based on timing of the event				
<b>Ransom Trades, Suppliers &amp; Laborers</b>		\$ 55,433,000		\$ 55,433,000
Applicable to Direct Costs only, no General Expenses, Fees, Contingencies etc - cumulatively assumed to be 25% of Contract Price				
<b>Remedial works</b>		\$ 2,828,000		\$ 2,828,000
Assume the Repair of 10% of the previous Quarter's work (Direct Costs only, no General Expenses, Fees, Contingencies etc)				
<b>Increase in Due Diligence (Post Replacement)</b>		\$ 83,000		\$ -
Based on extended schedule for Due Diligence monitoring Assume base rates: \$3,000 p/m legal; \$12,000 p/m for LTA; \$20,000 p/m for Owner's Engineer				
<b>Total DB Contractor LD's due to delayed achievement of Scheduled Design Build Date</b>		\$ 38,577,995		\$ 38,577,995
<b>Replacement Premium</b>	<b>7.3%</b>	<b>\$ 288,820,995</b>	<b>2.6%</b>	<b>\$ 104,413,995</b>
<b>Revised Cost to Complete</b>		<b>\$ 1,886,336,995</b>		<b>n/a</b>

## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

**Replacement Contractor:** Contractor / Guarantor Insolvency  
**Scenario 3:** Immediately preceding DBO#3: Completion of Headhouse  
**Month No:** 43  
**Date:** 31-Dec-19

<b>Delay to progress of Works (Weeks)</b>	<b>14</b>
<b>Revised Substantial Completion Date (Assuming no mitigation/acceleration)</b>	<b>14-Oct-22</b>

Based on termination process, re-tender, evaluation, appointment, all discussions & mobilization.

<b>Contract Price</b>	<b>\$ 3,981,650,247</b>
Less drawdown	\$3,348,873,112
Maximum Value of Work Completed per Maximum Expenditure Curve.	
<b>Balance of Contract Price to be funded</b>	<b>\$ 632,777,000</b>

Additional Costs to Complete	Total Premium		Liquid Portion
<b>Termination procedure fees</b>			
Legal, Tax, Accounting	\$ 500,000		
Technical Advisory	\$ 150,000		
Authority Due Diligence	\$ 150,000	\$ 800,000	\$ 800,000
Reasonable assumption of consulting, advisory and oversight costs			
<b>Project Company costs of Replacement DB Contractor Tender</b>		\$ 538,000	\$ 538,000
Based on allowance of 6 Project Co personnel @ \$400,000 (fully burdened) p/a over delay period			
<b>Design Team costs to review completed design and work in place and develop new tender package</b>		\$ 2,531,000	\$ 2,531,000
Allow 5% of Original Design Budget, original design assumed at 8% of capex. Pro-rated for reduced Cost to Complete			
<b>Replacement DB Contractor Mobilization</b>		\$ 10,631,000	\$ -
Based on allowance of 80% of original mobilization costs; pro-rated for reduced Cost to Complete			
<b>Authority LD's Liability</b>	\$ -	\$ -	\$ -
No LD's levied by the City			
<b>Retendered price uplift</b>	11.04%	\$ 55,186,000	\$ -
Based on 2.5% annual escalation rate over Bid date to New Contractor Mobilization date			
<b>Increased fee by new DB Contractor</b>	8.2%	\$ 51,739,000	\$ -
Increased fee for new contractor - provide 1% to 5% linear scale premium on Balance to Complete based on timing of the event			
<b>Ransom Trades, Suppliers &amp; Laborers</b>		\$ 33,475,000	\$ 33,475,000
Applicable to Direct Costs only, no General Expenses, Fees, Contingencies etc - cumulatively assumed to be 25% of Contract Price			
<b>Remedial works</b>		\$ 2,675,000	\$ 2,675,000
Assume the Repair of 10% of the previous Quarter's work (Direct Costs only, no General Expenses, Fees, Contingencies etc)			
<b>Increase in Due Diligence (Post Replacement)</b>		\$ 117,000	\$ -
Based on extended schedule for Due Diligence monitoring Assume base rates: \$3,000 p/m legal; \$12,000 p/m for LTA; \$20,000 p/m for Owner's Engineer			
<b>Total DB Contractor LD's due to delayed achievement of Scheduled Design Build Date</b>		\$ 45,692,305	\$ 45,692,305
<b>Replacement Premium</b>	5.1%	\$ 203,384,305	2.2% \$ 85,711,305
<b>Revised Cost to Complete</b>		\$ 836,161,305	n/a

## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

**Replacement Contractor:** Contractor / Guarantor Insolvency  
**Scenario 4:** Immediately preceding DBO#4: Completion of Concourse A1  
**Month No:** 49  
**Date:** 30-Jun-20

<b>Delay to progress of Works (Weeks)</b>	<b>12</b>
<b>Revised Substantial Completion Date (Assuming no mitigation/acceleration)</b>	<b>30-Sep-22</b>

Based on termination process, re-tender, evaluation, appointment, all discussions & mobilization.

<b>Contract Price</b>	<b>\$ 3,981,650,247</b>
Less drawdown	\$3,544,344,290
Maximum Value of Work Completed per Maximum Expenditure Curve.	
<b>Balance of Contract Price to be funded</b>	<b>\$ 437,306,000</b>

Additional Costs to Complete	Total Premium		Liquid Portion	
<b>Termination procedure fees</b>				
Legal, Tax, Accounting	\$ 500,000			
Technical Advisory	\$ 150,000			
Authority Due Diligence	\$ 150,000	\$ 800,000		\$ 800,000
Reasonable assumption of consulting, advisory and oversight costs				
<b>Project Company costs of Replacement DB Contractor Tender</b>		\$ 462,000		\$ 462,000
Based on allowance of 6 Project Co personnel @ \$400,000 (fully burdened) p/a over delay period				
<b>Design Team costs to review completed design and work in place and develop new tender package</b>		\$ 1,749,000		\$ 1,749,000
Allow 5% of Original Design Budget, original design assumed at 8% of capex. Pro-rated for reduced Cost to Complete				
<b>Replacement DB Contractor Mobilization</b>		\$ 7,347,000		\$ -
Based on allowance of 80% of original mobilization costs; pro-rated for reduced Cost to Complete				
<b>Authority LD's Liability</b>	\$ -	\$ -		\$ -
No LD's levied by the City				
<b>Retendered price uplift</b>	12.31%	\$ 42,524,000		\$ -
Based on 2.5% annual escalation rate over Bid date to New Contractor Mobilization date				
<b>Increased fee by new DB Contractor</b>	9.2%	\$ 40,135,000		\$ -
Increased fee for new contractor - provide 1% to 5% linear scale premium on Balance to Complete based on timing of the event				
<b>Ransom Trades, Suppliers &amp; Laborers</b>		\$ 23,155,000		\$ 23,155,000
Applicable to Direct Costs only, no General Expenses, Fees, Contingencies etc - cumulatively assumed to be 25% of Contract Price				
<b>Remedial works</b>		\$ 2,705,000		\$ 2,705,000
Assume the Repair of 10% of the previous Quarter's work (Direct Costs only, no General Expenses, Fees, Contingencies etc)				
<b>Increase in Due Diligence (Post Replacement)</b>		\$ 100,000		\$ -
Based on extended schedule for Due Diligence monitoring Assume base rates: \$3,000 p/m legal; \$12,000 p/m for LTA; \$20,000 p/m for Owner's Engineer				
<b>Total DB Contractor LD's due to delayed achievement of Scheduled Design Build Date</b>		\$ 17,216,294		\$ 17,216,294
<b>Replacement Premium</b>	<b>3.4%</b>	<b>\$ 136,193,294</b>	<b>1.2%</b>	<b>\$ 46,087,294</b>
<b>Revised Cost to Complete</b>		<b>\$ 573,499,294</b>		<b>n/a</b>

## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

**Replacement Contractor:** Contractor / Guarantor Insolvency  
**Scenario 5:** Immediately preceding DBO#5: Completion of Concourse A2  
**Month No:** 66  
**Date:** 30-Nov-21

<b>Delay to progress of Works (Weeks)</b>	<b>10</b>
<b>Revised Substantial Completion Date (Assuming no mitigation/acceleration)</b>	<b>16-Sep-22</b>

Based on termination process, re-tender, evaluation, appointment, all discussions & mobilization.

<b>Contract Price</b>	<b>\$ 3,981,650,247</b>
Less drawdown	\$3,948,664,100

Maximum Value of Work Completed per Maximum Expenditure Curve.

<b>Balance of Contract Price to be funded</b>	<b>\$ 32,986,000</b>
---	----------------------

Additional Costs to Complete	Total Premium		Liquid Portion
<b>Termination procedure fees</b>			
Legal, Tax, Accounting	\$ 500,000		
Technical Advisory	\$ 150,000		
Authority Due Diligence	\$ 150,000	\$ 800,000	\$ 800,000
Reasonable assumption of consulting, advisory and oversight costs			
<b>Project Company costs of Replacement DB Contractor Tender</b>		\$ 385,000	\$ 385,000
Based on allowance of 6 Project Co personnel @ \$400,000 (fully burdened) p/a over delay period			
<b>Design Team costs to review completed design and work in place and develop new tender package</b>		\$ 132,000	\$ 132,000
Allow 5% of Original Design Budget, original design assumed at 8% of capex. Pro-rated for reduced Cost to Complete			
<b>Replacement DB Contractor Mobilization</b>		\$ 554,000	\$ -
Based on allowance of 80% of original mobilization costs; pro-rated for reduced Cost to Complete			
<b>Authority LD's Liability</b>	\$ -	\$ -	\$ -
No LD's levied by the City			
<b>Retendered price uplift</b>	16.19%	\$ 4,220,000	\$ -
Based on 2.5% annual escalation rate over Bid date to New Contractor Mobilization date			
<b>Increased fee by new DB Contractor</b>	12.0%	\$ 3,963,000	\$ -
Increased fee for new contractor - provide 1% to 5% linear scale premium on Balance to Complete based on timing of the event			
<b>Ransom Trades, Suppliers &amp; Laborers</b>		\$ 10,292,000	\$ 10,292,000
Applicable to Direct Costs only, no General Expenses, Fees, Contingencies etc - cumulatively assumed to be 25% of Contract Price			
<b>Remedial works</b>		\$ 1,170,000	\$ 1,170,000
Assume the Repair of 10% of the previous Quarter's work (Direct Costs only, no General Expenses, Fees, Contingencies etc)			
<b>Increase in Due Diligence (Post Replacement)</b>		\$ 83,000	\$ -
Based on extended schedule for Due Diligence monitoring Assume base rates: \$3,000 p/m legal; \$12,000 p/m for LTA; \$20,000 p/m for Owner's Engineer			
<b>Total DB Contractor LD's due to delayed achievement of Scheduled Design Build Date</b>		\$ 11,621,220	\$ 11,621,220
<b>Replacement Premium</b>	<b>0.8%</b>	<b>\$ 33,220,220</b>	<b>0.6%</b> <b>\$ 24,400,220</b>
<b>Revised Cost to Complete</b>		<b>\$ 66,206,220</b>	<b>n/a</b>

## LAGUARDIA AIRPORT CTB REDEVELOPMENT PROJECT

**Replacement Contractor:** Contractor / Guarantor Insolvency  
**Scenario 6:** DBJV insolvency immediately preceding the operations phase  
**Month No:** 73  
**Date:** 30-Jun-22

<b>Delay to progress of Works (Weeks)</b>	<b>8</b>
<b>Revised Substantial Completion Date (Assuming no mitigation/acceleration)</b>	<b>2-Sep-22</b>

Based on termination process, re-tender, evaluation, appointment, all discussions & mobilization.

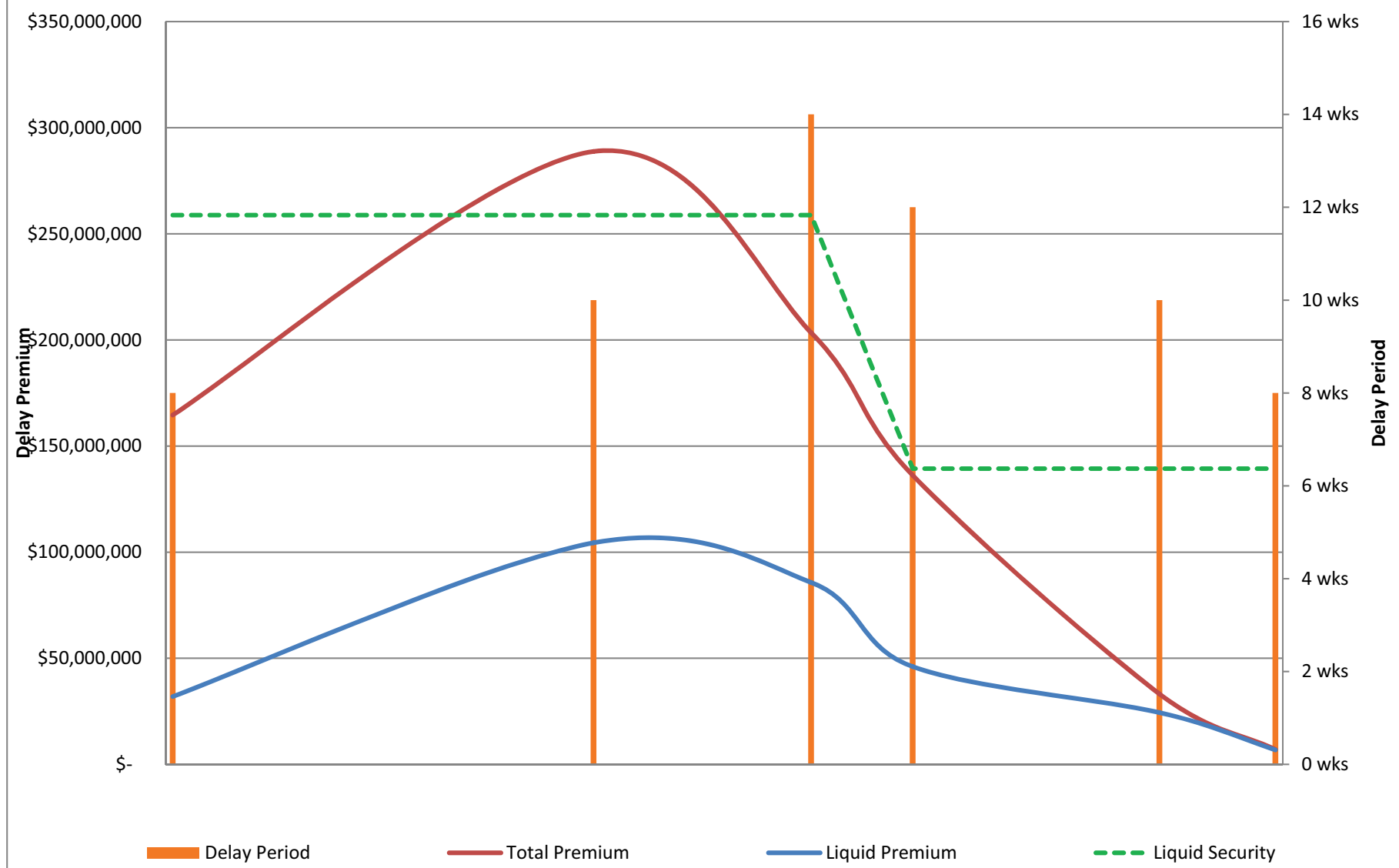
<b>Contract Price</b>	<b>\$ 3,981,650,247</b>
Less drawdown	\$3,981,095,152

Maximum Value of Work Completed per Maximum Expenditure Curve.

<b>Balance of Contract Price to be funded</b>	<b>\$ 555,000</b>
---	-------------------

Additional Costs to Complete	Total Premium		Liquid Portion	
<b>Termination procedure fees</b>				
Legal, Tax, Accounting	\$ 500,000			
Technical Advisory	\$ 150,000			
Authority Due Diligence	\$ 150,000	\$ 800,000		\$ 800,000
Reasonable assumption of consulting, advisory and oversight costs				
<b>Project Company costs of Replacement DB Contractor Tender</b>		\$ 308,000		\$ 308,000
Based on allowance of 6 Project Co personnel @ \$400,000 (fully burdened) p/a over delay period				
<b>Design Team costs to review completed design and work in place and develop new tender package</b>		\$ 2,000		\$ 2,000
Allow 5% of Original Design Budget, original design assumed at 8% of capex. Pro-rated for reduced Cost to Complete				
<b>Replacement DB Contractor Mobilization</b>		\$ 9,000		\$ -
Based on allowance of 80% of original mobilization costs; pro-rated for reduced Cost to Complete				
<b>Authority LD's Liability</b>	\$ -	\$ -		\$ -
No LD's levied by the City				
<b>Retendered price uplift</b>	17.76%	\$ 78,000		\$ -
Based on 2.5% annual escalation rate over Bid date to New Contractor Mobilization date				
<b>Increased fee by new DB Contractor</b>	13.2%	\$ 73,000		\$ -
Increased fee for new contractor - provide 1% to 5% linear scale premium on Balance to Complete based on timing of the event				
<b>Ransom Trades, Suppliers &amp; Laborers</b>		\$ 2,203,000		\$ 2,203,000
Applicable to Direct Costs only, no General Expenses, Fees, Contingencies etc - cumulatively assumed to be 25% of Contract Price				
<b>Remedial works</b>		\$ 504,000		\$ 504,000
Assume the Repair of 10% of the previous Quarter's work (Direct Costs only, no General Expenses, Fees, Contingencies etc)				
<b>Increase in Due Diligence (Post Replacement)</b>		\$ 67,000		\$ -
Based on extended schedule for Due Diligence monitoring Assume base rates: \$3,000 p/m legal; \$12,000 p/m for LTA; \$20,000 p/m for Owner's Engineer				
<b>Total DB Contractor LD's due to delayed achievement of Scheduled Design Build Date</b>		\$ 2,973,254		\$ 2,973,254
<b>Replacement Premium</b>	<b>0.2%</b>	<b>\$ 7,017,254</b>	<b>0.2%</b>	<b>\$ 6,790,254</b>
<b>Revised Cost to Complete</b>		<b>\$ 7,572,254</b>		<b>n/a</b>

# DBJV Replacement Scenario Summary







APPENDIX C  
LGP Initial Organization Structure



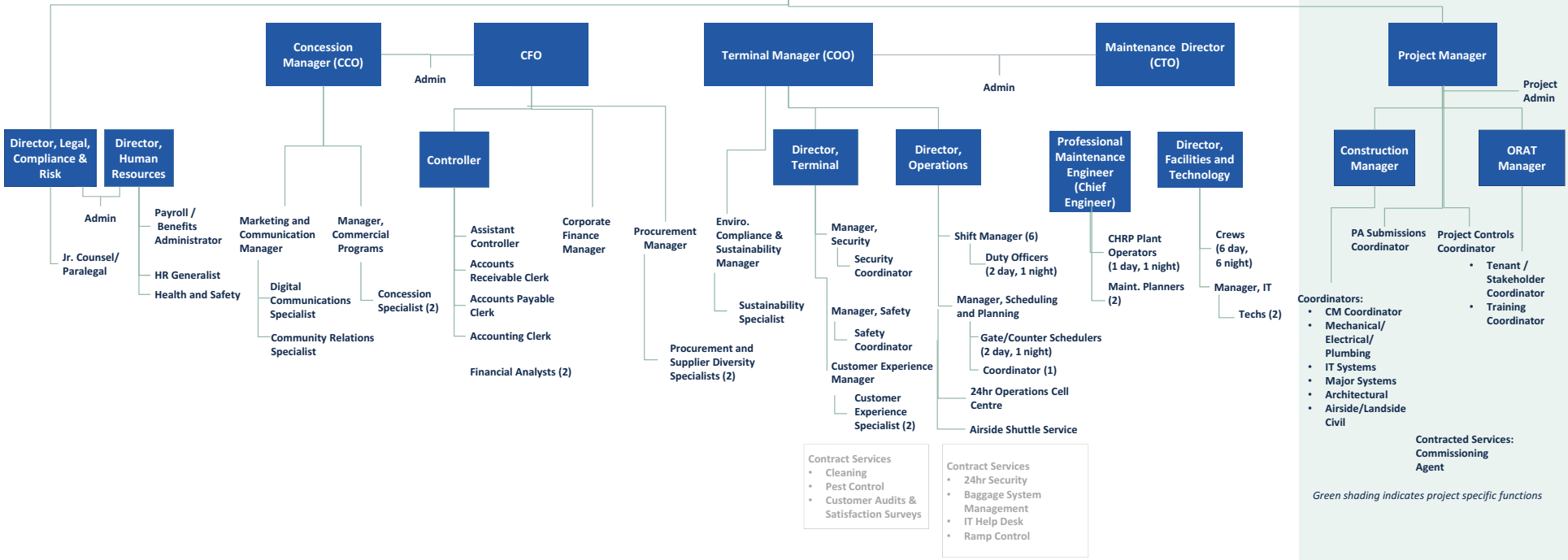
# LGP Initial Organization Structure

Board of Directors  
(2 Representatives from each of Vantage, Skanska ID & Meridiam)

Project Executive

Project Director (CEO)

Gray Text shows subcontracted positions



- Coordinators:
- CM Coordinator
  - Mechanical/Electrical/Plumbing
  - IT Systems
  - Major Systems
  - Architectural
  - Airside/Landside Civil
- Contracted Services: Commissioning Agent
- Green shading indicates project specific functions



**CANADA**

Vancouver

Toronto

Calgary

Edmonton

Saskatoon

Montreal

Ottawa

St. Catharines

**UNITED STATES**

Phoenix

Los Angeles

Atlanta

**TURKEY**

Ankara

**BTY.COM**

*People to count on.  
Knowledge to build with.*

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Appendix B-3**

**REPORT OF THE INSURANCE CONSULTANT**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Finance Parties Insurance Advisor Report – Pre-Financial Close Report**

---

**Project Name:** LaGuardia Airport Central Terminal Building Replacement Project (“Project”)

**Jurisdiction:** New York

**Authority:** Port Authority of New York and New Jersey (“Authority”)

**Developer:** LaGuardia Gateway Partners

**Collateral Agent:** The Bank of New York Mellon, as Collateral Agent and Securities Intermediary

**Trustee:** The Bank of New York Mellon, as Trustee under the Indenture of Trust

**Type:** Design, Build, Finance, Maintain & Operate

Prepared By:

Sarah E. Roberts, MBA, CRM  
INTECH Risk Management GmbH  
April 19, 2016  
Version 2.4

**Private & Confidential**

Unpublished Work © 2016 INTECH Risk Management GmbH

**Table of Contents**

---

<b>1.0</b>	<b>Report Version</b> .....	<b>4</b>
<b>2.0</b>	<b>Notice</b> .....	<b>4</b>
<b>2.1</b>	<b>Legal Notice</b> .....	<b>4</b>
<b>2.2</b>	<b>E-Mail Notices</b> .....	<b>4</b>
<b>3.0</b>	<b>Project Description</b> .....	<b>4</b>
<b>4.0</b>	<b>Agreements and Other Documents</b> .....	<b>6</b>
<b>5.0</b>	<b>Insurance Provisions and Insurability</b> .....	<b>7</b>
<b>5.1</b>	<b>Insurability</b> .....	<b>7</b>
<b>5.2</b>	<b>Documents Pertaining to Insurance &amp; Financing</b> .....	<b>7</b>
<b>5.2.1</b>	<b>Lease Agreement</b> .....	<b>7</b>
<b>5.2.2</b>	<b>Design-Build Contract</b> .....	<b>7</b>
<b>5.2.3</b>	<b>Management Services Agreement Term Sheet</b> .....	<b>7</b>
<b>5.2.4</b>	<b>Collateral Agency Agreement</b> .....	<b>8</b>
<b>6.0</b>	<b>Timing of Insurance Placement and Note to Drafts</b> .....	<b>8</b>
<b>7.0</b>	<b>Required Insurances</b> .....	<b>8</b>
<b>7.1</b>	<b>Property Insurance – Section 20.1(b)</b> .....	<b>8</b>
<b>7.2</b>	<b>Boiler &amp; Machinery – Section 20.1(c)</b> .....	<b>9</b>
<b>7.3</b>	<b>Business Interruption Insurance – Section 20.1(d)</b> .....	<b>9</b>
<b>7.4</b>	<b>Builders Risk Insurance – Section 20.1(e)</b> .....	<b>10</b>
<b>7.5</b>	<b>Commercial General Liability – Section 20.1(f)(i)</b> .....	<b>11</b>
<b>7.6</b>	<b>Commercial Automobile Liability – Section 20.1(f)(ii)</b> .....	<b>12</b>
<b>7.7</b>	<b>Pollution Liability – Section 20.1(f)(iii)</b> .....	<b>12</b>
<b>7.8</b>	<b>Professional Liability – Section 20.1(f)(iv)</b> .....	<b>13</b>
<b>7.9</b>	<b>Cargo and Baggage Liability – Section 20.1(f)(v)</b> .....	<b>13</b>
<b>7.10</b>	<b>Liquor Liability – Section 20.1(f)(vi)</b> .....	<b>13</b>
<b>7.11</b>	<b>Workers Compensation and Employers Liability Insurance – Section 20.1(g)</b> .....	<b>14</b>
<b>7.12</b>	<b>Crime – Section 20.1(h)</b> .....	<b>14</b>
<b>8.0</b>	<b>Additional Recommendations and Comments</b> .....	<b>15</b>
<b>8.1</b>	<b>Additional Recommendation</b> .....	<b>15</b>
<b>8.2</b>	<b>Additional Comments</b> .....	<b>15</b>
<b>8.2.1</b>	<b>Terrorism</b> .....	<b>15</b>
<b>8.2.2</b>	<b>Flood Aggregate</b> .....	<b>16</b>
<b>Insurance Program</b> .....		<b>16</b>
<b>8.3</b>	<b>Combined Property, Builder’s Risk, Business Interruption and Delay in Start-Up Program inclusive of Boiler &amp; Machinery</b> .....	<b>16</b>
<b>8.4</b>	<b>Boiler &amp; Machinery Insurance</b> .....	<b>20</b>
<b>8.5</b>	<b>Primary Terrorism</b> .....	<b>20</b>
<b>8.6</b>	<b>Excess Terrorism</b> .....	<b>21</b>
<b>8.7</b>	<b>Commercial General Liability – Wrap-Up</b> .....	<b>22</b>
<b>8.8</b>	<b>Workers’ Compensation and Employer’s Liability – Wrap-Up</b> .....	<b>24</b>
<b>8.9</b>	<b>Excess Liability – Wrap-Up</b> .....	<b>25</b>
<b>8.10</b>	<b>Commercial Automobile Liability</b> .....	<b>26</b>



8.11	Contractor’s Pollution Liability (CPL) .....	27
8.12	Pollution Legal Liability (PLL) .....	28
8.13	Professional Liability – Lead Design Team .....	29
8.14	Professional Liability – Contractors’ Professional Protective & Indemnity (“CPPI”) .....	30
8.15	Airport Operator’s General Liability – Cargo & Baggage Liability + Liquor Liability.....	31
8.16	Workers’ Compensation and Employer’s Liability .....	32
8.17	Commercial Crime Insurance.....	33
9.0	Insurers Security and Collateral Agent’s Protection .....	34
9.1	Insurers’ Security.....	34
9.2	Collateral Agent’s Security .....	34
9.2.1	Collateral Agent’s Rights under the Lease .....	34
9.2.2	Recommended Protection for the Collateral Agent.....	35
10.0	Insurance Premiums .....	36
10.1	Insurance Premiums during the Construction Period .....	36
10.2	Insurance Premiums during the Initial O&M Period, the Phased Construction O&M Period and the O&M Period .....	36
11.0	Responsibility for Deductibles during the Construction Period .....	36
12.0	Review of Design-Build Contract.....	36
12.1	Responsibility for Placement .....	36
12.2	Responsibility for Deductibles .....	37
13.0	Review of Master Services Agreement .....	37
13.1	Responsibility for Placement .....	37
13.2	Responsibility for Deductibles .....	38
14.0	Review of Collateral Agency Agreement.....	38
15.0	Review of LTA Report.....	38
16.0	Compensation, Relief and Force Majeure Events.....	38
16.1	Compensation Events.....	38
16.2	Delay Events.....	43
16.3	Force Majeure Events.....	47
17.0	Commercial Availability of Insurance (Uninsurability) .....	48
18.0	Insurance Premium Benchmarking .....	48
19.0	Conclusion.....	49

## 1.0 Report Version

---

Version	Originator	Date
1.0	Sarah Roberts	April 21, 2014
1.1	Sarah Roberts	May 8, 2014
2.0	Sarah Roberts	February 26, 2016
2.1	Sarah Roberts	March 7, 2016
2.2	Sarah Roberts	April 18, 2016
2.3	Sarah Roberts	April 19, 2016
2.4	Sarah Roberts	April 19, 2016

## 2.0 Notice

---

f

### 2.1 Legal Notice

This report does not constitute legal advice or legal opinion, nor shall any statement made herein be deemed to be or relied upon as legal advice.

This report is supplied solely for the use of the Finance Parties and their Advisors for the purposes of providing financing for the Project and is not to be otherwise circulated, quoted, relied upon or referred to without the express written consent of INTECH Risk Management GmbH.

INTECH authorizes the inclusion of this report in a Preliminary Official Statement and Final Official Statement prepared and used in connection with the offering and sales of those Bonds to be publicly offered, and in private placement documents prepared in connection with the private placement of those Bonds to be privately placed.

Neither INTECH nor its officers or employees accepts liability whatsoever for any direct or consequential loss arising from the negligent use of this Report.

This report is subject to and shall be construed in accordance with the laws of the State of New York.

### 2.2 E-Mail Notices

E-mail copies of this report are not official unless authenticated and signed by an officer of INTECH Risk Management GmbH., and are not modified in any way without the express written consent of INTECH Risk Management GmbH.

## 3.0 Project Description

---

The Central Terminal Building (“Central Terminal Building”) was first opened to the public in 1964 with a capacity of 8 million annual air passengers. This was then modernized and expanded to 835,000 square feet in the 1990s and can accommodate 35 aircraft gate positions.

The Project scope is comprised of the following main elements:

- Structural demolition: abatement, deconstruction and removal of the existing CTB, Hangar 1, the existing CTB parking garage, departures level roadway bridge structures and the decommissioned Central Electrical Substation;
- CTB Replacement: construction of an approximately 1.3 million square foot terminal with 35 building contact gates (expandable to 38) and associated aircraft apron and frontage roads;
- CTB Apron Modification: construction of 35 new aircraft apron gates, supported by a taxi lane system with multiple startup positions and overnight parking accommodations for aircraft, adjacent to the new terminal and integrated with the existing taxiway configuration;
- Frontage Roads: construction of a multilevel bridge for departures and arrivals traffic adjacent to the New CTB with a high occupancy vehicle lane and grade roadway below;
- Utilities within the Project Site: telecommunications, water, natural gas, sewer, storm and electrical service connections to the New CTB;
- Central Heating and Refrigeration Plant ("CHRP"); construction of a 3 story stand-alone structure that will accommodate chillers, hot water generators and other equipment to replace and upgrade the current plant; and
- Hydrant Fueling: installation of underground fueling infrastructure within the new CTB ramp area to support the implementation of a future hydrant fueling system.

The Lessee will be responsible for the design and construction of the New Improvements as well as maintaining the maintenance and operations of the existing CTB. The Lessee will be responsible for maintenance and operations of the Project during and after the completion of the Project until the end of the Term.

The total duration of the redevelopment is 75 months and anticipated 6 phases detailed as follows:

- Phase 1: Concourse B-1
- Phase 2: Concourse B-2
- Phase 3-A: Concourse B-2a
- Phase 3-B: Headhouse
- Phase 4: Concourse A-1
- Phase 5-A: Concourse B-2b
- Phase 5-B and 5-C: Concourse A-2a
- Phase 6: Concourse A-2b

### 3.2 Construction Phase Timelines

There is a 74 month construction period with the insurance program running 84 months in order to be in compliance with the Lease, as follows

<i>Construction Phase</i>	<i>Start Date</i>	<i>End Date</i>
Phase 1 Concourse B-1	May 31, 2016	March 28, 2018
Phase 2 Concourse B-2A	March 31, 2018	July 31, 2018
Phase 3-A Concourse B-2A	August 31, 2018	September 30, 2018
Phase 3-B Headhouse	October 31, 2018	June 30, 2019
Phase 4 Concourse A-1	July 31, 2019	February 29, 2020
Phase 5-A Concourse B-2b	March 31, 2020	April 30, 2020
Phase 5-B and 5-C Concourse A-2a	May 31, 2020	May 31, 2020
Phase 6 Concourse A-2b	June 30, 2021	July 8, 2022

### 4.0 Agreements and Other Documents

---

To date we have reviewed the following agreements:

- Lease Agreement (“CTB Lease”) Version 14 dated April 11, 2016;
- Design-Build Contract (“DB Contract”) dated April 11, 2016;
- Management Services Agreement (“MSA”) final Commercial Close version;
- LaGuardia Airport Terminal B Replacement Project Management Presentation dated February 4, 2016;
- LaGuardia Insurance Report issued by Alliant Insurance Services, Inc. dated March 20, 2016;
- Collateral Agency Agreement dated March 28, 2016 (“Collateral Agency Agreement”);
- Lenders’ Technical Advisor’s Report issued by BTY Group dated April 8, 2016 (“LTA Report”);
- LaGuardia Design-Build Contract Commitment Letter dated April 12, 2016;
- Building Loan Agreement between New York Transportation Development Corporation (as Issuer) and LaGuardia Gateway Partners, LLC (as Borrower”), draft dated April 19, 2016 (“Loan Agreement”)

## **5.0 Insurance Provisions and Insurability**

---

### **5.1 Insurability**

INTECH has completed a full and comprehensive insurability review of the requirements set out in the Project Agreement as well as a review of additional insurances, limits and deductible levels that may be needed to adequately protect the Finance Parties and the Sponsors for the Project.

### **5.2 Documents Pertaining to Insurance & Financing**

#### *5.2.1 Lease Agreement*

The following sections deal with insurance in the Lease Agreement:

- Article 9 – Port Authority Funding;
- Article 14 – Compensation Events; Delay Events;
- Article 16 – Environmental, Health and Safety Requirements;
- Article 18 – Finance Parties’ Rights and Remedies, Refinancing;
- Article 19 – Principal Lessee Documents;
- Article 20 – Insurance;
- Article 21 – Indemnity;
- Article 23 – Lessee Events of Default;
- Article 24 – Grounds for Termination by the Lessee; Other Termination;
- Article 27 – Actions Upon Termination; and
- Exhibit 8 – List of Financing Documents.

#### *5.2.2 Design-Build Contract*

The following sections of the Design-Build Contract are relevant to insurance:

- Article 14 – Compensation Events; Delay Events;
- Article 16 – Environmental, Health and Safety Requirements;
- Article 18 – Finance Parties’ Rights and Remedies, Refinancing;
- Article 19 – Principal Design-Builder Documents;
- Article 20 – Insurance;
- Article 21 – Indemnity;
- Article 23 – Design-Builder Events of Default;
- Article 24 – Developer DB Events of Default; Other Termination; and
- Article 27 – Actions Upon Termination.

#### *5.2.3 Management Services Agreement Term Sheet*

The following sections of the MSA Term Sheet are relevant to insurance:

- Section 15 – Insurance;
- Section 17 – Indemnification; Limitations on Liability; and
- Section 18 – Termination; Events of Default; Remedies.

#### 5.2.4 Collateral Agency Agreement

The following sections of the Collateral Agency Agreement are relevant to insurance:

- Article 5, Section 5.11 – Insurance and Condemnation Proceeds Account
- Article 7 – Compensation, Indemnity and Expenses;
- Article 8 – Termination.

### 6.0 Timing of Insurance Placement and Note to Drafts

---

This version of our Report has a number of note to drafts (“NTDs”) as insurance is not required to be in place as of Commercial Close, but rather as of the Lease Commencement Date, which is Financial Close. The square bracketed sections in this report and any NTD language is to show the Rating Agencies what the final language of the report will be prior to Financial Close and once the insurance is effected.

### 7.0 Required Insurances

---

**[NTD: Language in square brackets within this section reflects what will be the final language once evidence of insurance has been received]**

Under the Lease the following insurances are required from the Lease Commencement Date (or such other date to the extent specified in the Lease) and through the Term (except to the extent otherwise specified in the Lease) as follows:

#### 7.1 Property Insurance – Section 20.1(b)

##### What it Covers

All Risks property insurance covers physical loss or damage to the Project during the Term. For example, if a windstorm causes \$10,000,000 in damage to the Project during the O&M Period the policy will pay to replace or reinstate the damaged property.

##### The Requirement

During the Initial O&M Period, the Phase Construction O&M Period and the O&M Period the Lessee is required to procure and maintain all-risks property insurance including the following:

- Terrorism
- Flood
- Windstorm
- Storm surge
- Collapse
- Lighting

- Hail
- Ice
- Explosion
- Riot, vandalism, malicious mischief, civil commotion
- Aircraft
- Smoke and fire
- Earthquake

Coverage is required for the full replacement cost of the CTB Facilities and includes all structures, improvements, fixtures and equipment, furnishings and physical property owned, leased or within the care, custody and control of the Lessee. There [is] a waiver of subrogation in favour of the Port Authority, the City and the EDC.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **7.2 Boiler & Machinery – Section 20.1(c)**

### What it Covers

Boiler & machinery insurance (also known as equipment breakdown) is a first party policy that covers physical loss or damage for boilers, pressure vessels, electrical and mechanical machines on a comprehensive basis. The policy also covers business interruption arising out of and insured event. In the majority of policies in the United States this cover is provided for under the property policy and there is no need to purchase a separate policy.

### The Requirement

During the Initial O&M Period, the Phased Construction O&M Period and the O&M Period the Lessee shall procure and maintain boiler & machinery insurance covering all boilers, pressure-vessels and air conditioning and any other elated equipment operated by the Lessee in or on the CTB Facilities including expediting expense to cover the full inspection and replacement cost of such equipment.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **7.3 Business Interruption Insurance – Section 20.1(d)**

### The Cover

Business interruption insurance covers the loss of rental income and/or rents payable (i.e. the income derived from the Facility) in the event that the CTB Facilities are physically damaged and require repair.

### The Requirement

During the Initial O&M Period, the Phased Construction O&M Period and the O&M Period the Lessee shall procure and maintain business interruption insurance on an actual loss sustained basis on an “all risks physical loss” basis in

the amount equal to the greater of (i) the gross rents payable by the Sublessees for a period of 3 years and (ii) the aggregate amount of Base Rent, First Additional Rent and Second Additional Rent payable by the Lessee for a period of 3 years.

The maximum allowable waiting period is 3 days with respect to an interruption to ongoing operations of the Existing Facilities or continuing operations and 45 days with respect to interruption in the Construction Work or the Operations and Maintenance Work.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

#### **7.4 Builders Risk Insurance – Section 20.1(e)**

##### What it Covers

Builders Risk, also known as Course of Construction or Contractors All Risks insurance covers physical loss or damage to the Project. For example, if a windstorm causes \$10,000,000 in damage to the Project during construction the builders risk policy will pay to replace or reinstate the damaged property. The policy also covers the anticipated loss of revenues (delayed start up / delay in completion) resulting from physical damage to the CTB Facilities during construction.

##### The Requirement

During the Construction Period, the Lessee shall procure and maintain Builder's Risk on an all risks basis including:

- Fire
- Collapse
- Lightning
- Windstorm
- Flood
- Earthquake
- Hail
- Terrorism
- Explosion
- Underground property damage
- Riot, vandalism, malicious mischief, civil commotion
- Aircraft
- Vehicle impact
- Smoke
- Delay in completion (delayed start-up or anticipated loss of revenues)
- Debris removal
- Valuable papers
- Pollutant cleanup and removal
- Professional fees
- Extra / expediting expenses



The policy will be based upon a completed value form on a LEG 3 basis. The policy will all off-site material and property in transit.

The policy will name the Port Authority, the City and the EDC as loss payees, as their respective interest may appear, subject to the claims of the Collateral Agent.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **7.5 Commercial General Liability – Section 20.1(f)(i)**

### What it Covers

Commercial general liability is a policy which pays to a third party in the event of injury or property damage. For example if a person (not an employee) falls and breaks an ankle at the construction site they may sue for bodily injury. The commercial general liability policy will pay for the cost to defend the action as well as any settlement the person is awarded. The PA does not require the coverage to be on a wrap-up basis (wrap-up being a policy that provides coverage to all contractors and subcontractors working on the Project while at the Site).

### The Requirement

Throughout the Term, the Lessee, in its own name as named insured shall procure and maintain commercial general liability insurance including the following extensions of cover:

- Completed operations – minimum 6 years
- Terrorism
- Explosion
- Collapse and underground property damage
- Independent contractors coverage
- Blanket contractual liability
- Broad form property damage cover
- Bodily injury, including death
- Broadened to include or equivalent separate policies covering sprinkler leakage legal liability and water damage legal liability

During the Construction Period a limit of \$300,000,000 per occurrence and in the aggregate each annual period is required on a consolidated insurance program (wrap up) basis to provide coverage for all Work. The liability policies will include commercial general liability, excess, workers compensation and employer liability.

The policy will name the Port Authority, the City and the EDC as additional insureds.

There is no maximum allowable deductible.

During the Initial O&M Period, the Phase Construction O&M Period and the O&M Period the limit required is \$300,000,000 per occurrence and in the annual aggregate and the policy will name the Port Authority, the City and the EDC as additional insureds.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

#### **7.6 Commercial Automobile Liability – Section 20.1(f)(ii)**

##### What it Covers

This is a liability insurance which covers the legal liability for bodily injury and third party property damage caused while driving an automobile.

##### The Requirement

During the Construction Period, the Initial O&M Period, the Phase Construction O&M Period and the O&M Period the Lessee will carry a limit of \$25,000,000 covering owned, non-owned and hired vehicles.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

#### **7.7 Pollution Liability – Section 20.1(f)(iii)**

##### What it Covers

Pollution liability is a liability policy designed to address environmental liabilities associated with the Project and the job-site operations of the Lessee. The policy provides insurance for third-party claims for bodily injury and third party property damage as well as insurance for remediation costs stemming from pollution incidents resulting from the Lessee's operations.

The policy does not provide coverage for known conditions.

##### The Requirement

During the Construction Period, the Initial O&M Period, the Phase Construction O&M Period and the O&M Period the Lessee will procure and maintain Pollution Liability insurance. The policy may be purchased on an occurrence basis or on claims-made basis. If placed on a claims-made basis the policy must contain a 6-year extended reporting period. The policy will have a limit of not less than \$25,000,000 per pollution incident and in the annual aggregate during the Construction Period. The minimum total policy term of 10 years inclusive of D&C work is required. A limit of \$5,000,000 per pollution incident and in the annual aggregate during the Initial O&M Period, the Phase Construction O&M Period and the O&M Period is required.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **7.8 Professional Liability – Section 20.1(f)(iv)**

### What it Covers

Errors & Omissions insurance is a form of liability insurance which protects professional individuals for errors or omissions (failure to perform) in the service provided. This coverage is for any design professionals (architects, engineers) that are providing services for the Project.

### The Requirement

During the Construction Period the Lessee will procure and maintain professional liability on an occurrence basis or a claims made basis with a 6-year extended reporting period following the completion of each portion of the Construction Project. The policy will have a retro date to the date of first design and will have a minimum limit of \$10,000,000.

The Lessee may cause the insurance to be procured through the D&C Contractor or the Lead Designer in which case the Lessee shall be named as a named insured.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **7.9 Cargo and Baggage Liability – Section 20.1(f)(v)**

### What it Covers

Cargo and Baggage Liability covers bodily injury and/or damage to baggage and/or damage to cargo on an occurrence basis arising from the operations of the Lessee.

### The Requirement

During the Initial O&M Period, the Phase Construction O&M Period and the O&M Period the Lessee will procure and maintain cargo and baggage liability insurance with a limit of not less than \$10,000,000 to cover property loss of others.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **7.10 Liquor Liability – Section 20.1(f)(vi)**

### What it Covers

Liquor Liability insurance provides cover for bodily injury, death and property damage liability arising out of the serving of alcohol.

### The Requirement

Initial O&M Period, the Phase Construction O&M Period and the O&M Period the Lessee will procure and maintain \$10,000,000 of liquor liability.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

### **7.11 Workers Compensation and Employers Liability Insurance – Section 20.1(g)**

#### What it Covers

Workers compensation insurance is a form of insurance which provides wage replacement and medical benefits to employees who are injured in the course of their employment. In exchange they relinquish the employee's rights to sue the employer for negligence.

#### The Requirement

The Lessee shall procure and maintain and cause their Contractors and any Lead Firm to procure and maintain Workers' Compensation Insurance in accordance with the requirements of the law. The Lessee will also cause any additional employers to provide, Employer Liability Insurance for employees not otherwise protected by Workers' Compensation. Limits of Employer Liability shall be as follows:

- \$1,000,000 each accident
- \$1,000,000 each employee – disease
- \$1,000,000 policy limit – disease

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

### **7.12 Crime – Section 20.1(h)**

#### What it Covers

Crime insurance (also known as employee dishonesty) insures against loss of money, securities or inventory resulting from crime. For example, if an employee were to embezzle \$1,000,000 the policy would respond to this embezzlement and make the insured (the Developer) whole.

#### The Requirement

The Lessee shall procure and maintain commercial crime insurance covering both innkeeper's / bailee legal liability including:

- broad form money and securities
- money orders
- counterfeit paper
- depositor's forgery

- computer fraud
- cybercrime and transfer fraud
- credit card forgery
- audit expenses
- employee dishonesty

The policy limit will be not less than \$5,000,000.

There is no maximum allowable deductible.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

## **8.0 Additional Recommendations and Comments**

---

### **8.1 Additional Recommendation**

In our opinion the insurance requirements set out in the Lease are comprehensive and provide appropriate protection for the Project with the exception of the matters addressed below.

We have set out our recommendations for adequately naming the Collateral Agent under Section 9.0 of this Report.

### **8.2 Additional Comments**

#### *8.2.1 Terrorism*

There is a requirement under the Lease to procure terrorism insurance for the total replacement cost of the Project. The Lessee's broker canvassed the insurance market and the highest limit commercially available in the insurance market is \$2,000,000,000. INTECH can confirm that the Port Authority has accepted this sublimit with respect to terrorism insurance and we feel it is an appropriate amount to adequately protect the Project. Furthermore the limit of \$2,000,000,000 is a higher limit than the Port Authority currently carries on their entire portfolio. In our opinion this provides additional protection to the Lessee and additional comfort to the Lenders as the maximum amount available in the insurance market has been placed.

The Lenders will also be named as loss payee under this policy thereby ensuring protection for the Lenders as well.

Finally, under the Lease a terrorist event is a Force Majeure Event under the Lease, which means that the Force Majeure provisions of the Lease would also apply in the event of a terrorism event. The Force Majeure provisions are set out in Article 14 [Compensation Events, Delay Events] of the Lease.

In our opinion the current approach with respect to the terrorism limit is reasonable and the Lenders are appropriately protected between the insurance policy and the Force Majeure provisions of the Lease.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

**8.2.2 Flood Aggregate**

The requirement under the Lease is to procure flood insurance for the total replacement cost of the Project. The Lessee’s broker canvassed the insurance market and was able to secure a \$500,000,000 sublimit with respect to flood. INTECH can confirm that the Port Authority has accepted this sublimit with respect to flood and we feel it is an appropriate amount to adequately protect the Project.

The Lenders will also be named as loss payee under this policy thereby ensuring protection for the Lenders as well.

Finally, under the Lease a flood is a Force Majeure Event under the Lease, which means that the Force Majeure provisions of the Lease would also apply in the event of a flood. The Force Majeure provisions are set out in Article 14 [Compensation Events, Delay Events] of the Lease.

In our opinion the current approach with respect to the flood aggregate is reasonable and the Lenders are appropriately protected between the insurance policy and the Force Majeure provisions of the Lease.

**[We can confirm that the insurance is in full force an effect as outlined in Section 8.0 of this Report.]**

**Insurance Program**

---

As discussed in Section 7.0 of this Report the insurance will be in full force and effect prior to the Lease Commencement Date which lines up with Financial Close. At Commercial Close no evidence of insurance is required.

**[We can confirm that the insurance is in full force an effect as outlined below:]**

**8.3 Combined Property, Builder’s Risk, Business Interruption and Delay in Start-Up Program inclusive of Boiler & Machinery**

<b>Insurer:</b>	TBA
<b>A.M. Best’s Rating:</b>	TBA
<b>S&amp;P Rating:</b>	TBA
<b>Policy Term:</b>	[May 31, 2016] to [July 28, 202]
<b>Policy Number:</b>	TBA
<b>First Named Insured:</b>	LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
<b>Named Insured:</b>	<u>All Risks Builder’s Risk and All Risks Property</u> <ul style="list-style-type: none"> <li>• Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)</li> </ul>

<b>Additional Insured:</b>	<ul style="list-style-type: none"> <li>• Vantage Airport Group (New York) Management Ltd. (Operator)</li> <li>• The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement</li> <li>• The City (as defined in the Recitals to the Lease)</li> <li>• New York City Economic Development Corporation</li> <li>• Port Authority of New York and New Jersey as Authority</li> </ul>
<b>First Loss Payee</b>	<ul style="list-style-type: none"> <li>• The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement as <b>First Loss Payee</b></li> </ul>
<b>Loss Payees</b>	<ul style="list-style-type: none"> <li>• The City (as defined in the Recitals to the Lease)</li> <li>• New York City Economic Development Corporation</li> <li>• Port Authority of New York and New Jersey as Authority</li> <li>• LaGuardia Gateway Partners Consortium</li> </ul>
<b>Waiver of Subrogation:</b>	<ul style="list-style-type: none"> <li>• Port Authority of New York and New Jersey as Authority</li> <li>• The City</li> <li>• New York City Economic Development Corporation</li> <li>• The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement</li> </ul>
<b>Perils Insured:</b>	<p><u>Section I – All Risks Builder’s Risk</u></p> <p>All risks physical loss or damage with respect to property under construction on a LEG 3/06 basis.</p> <p><u>Section II – Material Damage (All Risks Property)</u></p> <p>All risks physical loss or damage with respect to Existing Central Terminal Building</p> <p><u>Section III – Loss of Anticipated Revenue</u></p> <p>Delay in start-up resulting from physical loss or damage of property under construction</p> <p><u>Section IV – Loss of Revenue</u></p> <p>Business interruption resulting from physical loss or damage of the Existing Central Terminal Building</p>
<b>Policy Limits:</b>	<p><u>Section I – All Risks Builder’s Risk</u></p>

\$2,700,000,000 P3 Works  
\$1,200,000,000 New Improvement Works  
Total: \$3,900,000,000

\$60,000,000: Construction plant and equipment

#### Section II – Material Damage

\$641,000,000 increasing to a maximum of \$3,005,041,040

##### *Existing Central Terminal Building*

- Year 1: \$641,000,000 reducing to \$576,280,000
- Year 2: \$576,280,000 reducing to \$466,510,000
- Year 3: \$466,510,000 reducing to \$356,740,000
- Year 4: \$356,740,000 reducing to \$246,980,000
- Year 5: \$246,980,000 reducing to \$137,210,000
- Year 6: \$137,210,000 reducing to \$27,440,000
- Year 7: \$27,440,000 reducing to \$0

##### *New Handed Over*

- Phase 1 Concourse B-1: \$363,152,520
- Phase 2 Concourse B-2a & CHRP: \$269,822,461
- Phase 3-A Concourse B-2a: included in Phase 2
- Phase 3-B Headhouse: \$1,195,236,636
- Phase 4 Concourse A-1: \$191,760,464
- Phase 5-A Concourse B-2b: \$20,099,467
- Phase 5-B and 5-C Concourse A-2a: \$318,118,011
- Phase 6 Concourse A-2b: \$46,075,284

[NTD: The phases are being updated as per the new construction timeline with the insurers and will follow in a subsequent version of this Report]

#### Section III – Loss of Anticipated Revenue

\$847,000,000 – 36 months indemnity period per phase

#### Section IV – Loss of Revenue

\$171,480,000 increasing to a maximum of \$725,030,000 – 36 months indemnity

- Phase 1: \$179,070,000
- Phase 2: \$310,940,000
- Phase 3-A: \$302,330,000



- Phase 3-B: \$390,540,000
- Phase 4: \$446,380,000
- Phase 5-A: \$597,000,030
- Phase 5-B and 5-C: \$643,530,000
- Phase 6: \$725,030,000

[NTD: The phases are being updated as per the new construction timeline with the insurers and will follow in a subsequent version of this Report]

**Flood & Named  
Windstorm:**

\$500,000,000

**Sublimits:**

Section I & II – All Risks Builder’s Risk & Material Damage

\$10,000,000 – Professional Fees  
 \$ 5,000,000 – Plans and Documents  
 \$10,000,000 – Expediting Expenses  
 \$ 5,000,000 – Automatic Reinstatement  
 \$25,000,000 – Soft Costs  
 10% subject to a maximum of \$25,000,000 – Debris Removal

Section III – Anticipated Loss of Revenue

\$25,000,000 – Named Suppliers  
 \$25,000,000 – Utilities (FLEXA only)  
 \$25,000,000 – Increased cost of working  
 \$25,000,000 – Prevention of Access

**Deductibles:**

Section I – All Risks’ Builder’s Risk

\$250,000 – each and every loss  
 \$250,000 – LEG 3  
 3%, minimum \$500,000 with respect to [storm, flood, water damage, tempest, earthquake, subsidence and collapse].  
 \$150,000 – construction and plant equipment

Section II – Material Damage

\$250,000 each an every occurrence

**Waiting Period:**

Section III – Loss of Anticipated Revenue

30 days per Phase

Section IV – Loss of Revenue

\$250,000 each and every occurrence

**Extensions of Coverage:** TBD  
**Exclusions:** TBD  
**Cancellation:** TBD

[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]

#### 8.4 Boiler & Machinery Insurance

The Boiler & Machinery is included in Section 8.1 above.

#### 8.5 Primary Terrorism

**Insurer:** Lloyds of London (Talbot Syndicate)

**A.M. Best's Rating:** A XV

**S&P Rating:** A+

**Policy Term:** [May 31, 2016] to [July 28, 2020] estimated overall period of 75 months

**Policy Number:** TBA

**First Named Insured:** LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

**Named Insured:**

- Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

**Additional Insured:**

- Vantage Airport Group (New York) Management Ltd. (Operator)
- The Bank of New York Mellon, a national banking association, its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation
- Port Authority of New York and New Jersey as Authority

**Loss Payables:**

- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation
- Port Authority of New York and New Jersey as Authority
- LaGuardia Gateway Partners Consortium

<b>Waiver of Subrogation:</b>	<ul style="list-style-type: none"> <li>• Port Authority of New York and New Jersey as Authority</li> <li>• The City</li> <li>• New York City Economic Development Corporation</li> <li>• The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement</li> </ul>
<b>Perils Insured:</b>	Physical damage resulting from a terrorism event (certified and non-certified acts) including anticipated loss of revenue and/or loss of revenue
<b>Policy Limits:</b>	\$500,000,000 per occurrence
<b>Sublimits:</b>	TBD
<b>Deductibles:</b>	\$250,000 – per occurrence \$1,000,000 – anticipated loss of revenue and loss of revenue
<b>Extensions of Coverage:</b>	TBD
<b>Exclusions:</b>	TBD
<b>Cancellation:</b>	TBD

[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]

#### 8.6 Excess Terrorism

<b>Insurer:</b>	Allianz Insurance plc
<b>A.M. Best's Rating:</b>	Not Rated
<b>S&amp;P Rating:</b>	AA-
<b>Policy Term:</b>	Term 1: [May 31, 2016] to [May 31 – 2019] Term 2: [May 31, 2016] to [July 28, 2022] – 75 months
<b>Policy Number:</b>	TBA
<b>First Named Insured:</b>	LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
<b>Named Insured:</b>	<ul style="list-style-type: none"> <li>• Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)</li> </ul>

<b>Loss Payables:</b>	<ul style="list-style-type: none"> <li>• The City (as defined in the Recitals to the Lease)</li> <li>• New York City Economic Development Corporation</li> <li>• Port Authority of New York and New Jersey as Authority</li> <li>• LaGuardia Gateway Partners Consortium</li> </ul>
<b>Waiver of Subrogation:</b>	<ul style="list-style-type: none"> <li>• Port Authority of New York and New Jersey as Authority</li> <li>• The City</li> <li>• New York City Economic Development Corporation</li> <li>• The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement</li> </ul>
<b>Perils Insured:</b>	Physical damage resulting from a terrorism event (certified and non-certified acts) including anticipated loss of revenue and/or loss of revenue
<b>Policy Limits:</b>	\$1,500,000,000 per occurrence
<b>Sublimits:</b>	TBD
<b>Deductibles:</b>	Nil
<b>Extensions of Coverage:</b>	TBD
<b>Exclusions:</b>	TBD
<b>Cancellation:</b>	TBD

[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]

#### 8.7 Commercial General Liability – Wrap-Up

<b>Insurer:</b>	TBD
<b>A.M. Best’s Rating:</b>	TBD
<b>S&amp;P Rating:</b>	TBD
<b>Policy Term:</b>	[May 31, 2016] to [July 28, 2022] – 75 months plus 10 years completed operations
<b>Policy Number:</b>	TBA
<b>First Named Insured:</b>	<ul style="list-style-type: none"> <li>• LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)</li> <li>• Skanska Construction USA / Walsh Construction Joint Venture as the</li> </ul>

Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

- All Enrolled Contractors and subcontractors of any tier as their interests may appear

**Additional Insured:**

- Port Authority of New York and New Jersey as Authority
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation

**Waiver of Subrogation:**

- Port Authority of New York and New Jersey as Authority
- The City
- New York City Economic Development Corporation
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement

**Perils Insured:**

Bodily injury and third party property damage

**Policy Limits:**

\$ 5,000,000 per occurrence  
\$10,000,000 aggregate

**Sublimits:**

- \$10,000,000 – annual aggregate (for 6 years, 7<sup>th</sup> year is shared)
- \$10,000,000 – product and completed operations
- \$10,000,000 – extended product and completed operations – 10 years
- \$50,000 – medical payments
- \$250,000 – fire damage limit

**Deductibles:**

TBD

**Extensions of Coverage:**

- broad form named insured
- blanket additional insured endorsement
- coverage for independent contractors
- severability of interests
- cross liability
- blanket contractual liability including written, oral and implied contracts;
- removal of 50 food railroad limitation
- architects and engineers exclusion CG 22 80
- no EFIS exclusion
- sudden and accidental pollution – 72 hours knowledge, 7 days reporting
- pollution liability arising out of non-remedial operations or non-

owned premises, accidental discharge of fluids from mobile equipment, hostile fire, and completed operations

- explosion, collapse and underground hazards

**Exclusions:** TBD

**Cancellation:** TBD

At this point there are shared limits in year 6 and year 7 of the Project, which is not in compliance with the Lease. In our opinion, we feel that the sharing of limits in year 6 and year 7 is acceptable and does not pose a material risk to the Finance Parties. This is being reviewed concurrently by the Port Authority and we anticipate that they will approve this minor change.

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

#### **8.8 Workers' Compensation and Employer's Liability – Wrap-Up**

**Insurer:** TBD

**A.M. Best's Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** [March 30, 2016] to [TBD] – 75 months

**Policy Number:** TBA

**First Named Insured:**

- LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
- Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
- All Enrolled Contractors and subcontractors of any tier as their interests may appear

**Additional Insured:**

- Port Authority of New York and New Jersey as Authority
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation

**Waiver of Subrogation:**

- Port Authority of New York and New Jersey as Authority
- The City
- New York City Economic Development Corporation

- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement

**Perils Insured:** Workers Compensation and employers’ liability arising out of injury of workers on the Project Site

**Policy Limits:** Statutory - workers compensation  
 \$1,000,000 – employer’s liability – each accident  
 \$1,000,000 – bodily injury by disease policy limit  
 \$1,000,000 – bodily injury by disease – each employee

**Sublimits:** N/A

**Deductibles:** TBD

**Extensions of Coverage:** TBD

**Exclusions:** TBD

**Cancellation:** TBD

At this point there are shared limits in year 6 and year 7 of the Project, which is not in compliance with the Lease. INTECH has requested confirmation from the Sponsor’s Insurance Advisor as to whether or not this the Port Authority has agreed to this variance. In our opinion, we feel that the sharing of limits in year 6 and year 7 is acceptable and does not pose a material risk to the Finance Parties.

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

**8.9 Excess Liability – Wrap-Up**

**Insurer:** TBD

**A.M. Best’s Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** [March 30, 2016] to [TBD] – 75 months

**Policy Number:** TBA

**First Named Insured:**

- LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
- Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary

and/or its parent company (and its subsidiary companies)

- All Enrolled Contractors and subcontractors of any tier as their interests may appear

**Additional Insured:**

- Port Authority of New York and New Jersey as Authority
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation

**Waiver of Subrogation:**

- Port Authority of New York and New Jersey as Authority
- The City
- New York City Economic Development Corporation
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement

**Perils Insured:**

Bodily injury and third party property damage

**Policy Limits:**

\$300,000,000 per occurrence  
 \$300,000,000 annual aggregate except a shared aggregate in years 6 & 7  
 \$300,000,000 products and completed operations

**Sublimits:**

N/A

**Deductibles:**

TBD

**Extensions of Coverage:**

Follow form with underlying layer

**Exclusions:**

TBD

**Cancellation:**

TBD

At this point there are shared limits in year 6 and year 7 of the Project, which is not in compliance with the Lease. INTECH has requested confirmation from the Sponsor’s Insurance Advisor as to whether or not this the Port Authority has agreed to this variance. In our opinion, we feel that the sharing of limits in year 6 and year 7 is acceptable and does not pose a material risk to the Finance Parties.

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

**8.10 Commercial Automobile Liability**

**Insurer:**

TBD

**A.M. Best’s Rating:**

TBD



**S&P Rating:** TBD

**Policy Term:** [March 30, 2016] to [March 30, 2017]

**Policy Number:** TBA

**First Named Insured:** LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

**Perils Insured:** Automobile liability

**Policy Limits:** \$25,000,000

**Sublimits:** TBD

**Deductibles:** TBD

**Extensions of Coverage:** TBD

**Exclusions:** TBD

**Cancellation:** TBD

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

**8.11 Contractor’s Pollution Liability (CPL)**

**Insurer:** TBD

**A.M. Best’s Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** [May 31, 2016] to [July 28, 2002] – 75 months  
Plus completed operations of 15 years

**Policy Number:** TBA

**First Named Insured:**

- LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
- Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

- All Enrolled Contractors and subcontractors of any tier as their interests may appear

**Additional Insured:**

- Port Authority of New York and New Jersey as Authority
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation

**Waiver of Subrogation:**

- Port Authority of New York and New Jersey as Authority
- The City
- New York City Economic Development Corporation
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement

**Perils Insured:**

Contractors' pollution liability

**Policy Limits:**

\$25,000,000 per occurrence  
\$25,000,000 aggregate

**Sublimits:**

N/A

**Deductibles:**

TBD

**Extensions of Coverage:**

TBD

**Exclusions:**

TBD

**Cancellation:**

TBD

[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]

**8.12 Pollution Legal Liability (PLL)**

**Insurer:**

TBD

**A.M. Best's Rating:**

TBD

**S&P Rating:**

TBD

**Policy Term:**

[March 30, 2016]

**Policy Number:**

TBA

**First Named Insured:** LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

**Additional Insured:**

- Port Authority of New York and New Jersey as Authority
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation

**Waiver of Subrogation:**

- Port Authority of New York and New Jersey as Authority
- The City
- New York City Economic Development Corporation
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement

**Perils Insured:** Pollution legal liability

**Policy Limits:** \$5,000,000 per occurrence  
\$25,000,000 aggregate

**Sublimits:** N/A

**Deductibles:** TBD

**Extensions of Coverage:** TBD

**Exclusions:** TBD

**Cancellation:** TBD

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

**8.13 Professional Liability – Lead Design Team**

**Insurer:** TBD

**A.M. Best’s Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** TBD

**Policy Number:** TBA

**First Named Insured:** Skanska Construction USA / Walsh Construction Joint Venture as the Building Contractor and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

**Additional Insured:** • TBD

**Perils Insured:** Professional liability

**Policy Limits:** \$50,000,000 per claim

**Sublimits:** TBD

**Deductibles:** TBD

**Extensions of Coverage:** TBD

**Exclusions:** TBD

**Cancellation:** TBD

[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]

**8.14 Professional Liability – Contractors’ Professional Protective & Indemnity (“CPPI”)**

**Insurer:** TBD

**A.M. Best’s Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** TBD

**Policy Number:** TBA

**First Named Insured:** • TBD

**Additional Insured:** • TBD

**Perils Insured:** Professional liability

**Policy Limits:** \$5,000,000 per claim

**Sublimits:** TBD

**Deductibles:** TBD

**Extensions of Coverage:** Retroactive date to date of first design

**Exclusions:** TBD

**Cancellation:** TBD

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

**8.15 Airport Operator’s General Liability – Cargo & Baggage Liability + Liquor Liability**

**Insurer:** TBD

**A.M. Best’s Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** [March 30, 2016] to [March 30, 2017]

**Policy Number:** TBA

**First Named Insured:** LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

**Additional Insured:**

- Port Authority of New York and New Jersey as Authority
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement
- The City (as defined in the Recitals to the Lease)
- New York City Economic Development Corporation

**Waiver of Subrogation:**

- Port Authority of New York and New Jersey as Authority
- The City
- New York City Economic Development Corporation
- The Bank of New York Mellon, a national banking association, in its capacity as collateral agent on behalf of the Secured Creditors, and its successors and assigns pursuant to the Collateral Agency Agreement

**Perils Insured:** Airport operator’s general liability including bodily injury and third party property damage, hangar keepers liability and garage keepers liability

**Policy Limits:** \$300,000,000 – per occurrence  
\$300,000,000 – products & completed operations

**Sublimits:**

- \$ 50,000,000 – personal injury & advertising liability

- \$ 2,000,000 – fire damage limit
- \$300,000,000 – hangar keepers liability per occurrence
- \$300,000,000 – hangar keepers liability any one aircraft
- \$300,000,000 – non-owned aircraft liability

**Deductibles:** TBD

- Extensions of Coverage:**
- AV52 war and hijacking and other perils write back
  - Excess automobile liability
  - Excess employers’ liability
  - Garage keepers’ liability
  - Contractual liability
  - Incidental medical malpractice
  - Liability for alcohol beverage service
  - Premises liability
  - Operation of mobile equipment
  - On airport premises auto
  - Cargo and baggage liability

**Exclusions:** TBD

**Cancellation:** TBD

At this point there are shared limits in year 6 and year 7 of the Project, which is not in compliance with the Lease. In our opinion, we feel that the sharing of limits in year 6 and year 7 is acceptable and does not pose a material risk to the Finance Parties. This is being reviewed concurrently by the Port Authority and we anticipate that they will approve this minor change.

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

**8.16 Workers’ Compensation and Employer’s Liability**

**Insurer:** TBD

**A.M. Best’s Rating:** TBD

**S&P Rating:** TBD

**Policy Term:** [March 30, 2016] to [March 30, 2017]

**Policy Number:** TBA

**First Named Insured:** LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)

<b>Perils Insured:</b>	Workers Compensation and employers' liability arising out of injury of workers on the Project Site
<b>Policy Limits:</b>	Statutory - workers compensation \$1,000,000 – employer's liability – each accident \$1,000,000 – bodily injury by disease policy limit \$1,000,000 – bodily injury by disease – each employee
<b>Sublimits:</b>	N/A
<b>Deductibles:</b>	TBD
<b>Extensions of Coverage:</b>	TBD
<b>Exclusions:</b>	TBD
<b>Cancellation:</b>	TBD

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

#### **8.17 Commercial Crime Insurance**

<b>Insurer:</b>	TBD
<b>A.M. Best's Rating:</b>	TBD
<b>S&amp;P Rating:</b>	TBD
<b>Policy Term:</b>	[March 30, 2016] to [March 30, 2017]
<b>Policy Number:</b>	TBA
<b>First Named Insured:</b>	LaGuardia Gateway Partners Consortium as the Project Co and/or its shareholders and/or its subsidiary and/or its parent company (and its subsidiary companies)
<b>Perils Insured:</b>	Commercial crime insurance
<b>Policy Limits:</b>	\$5,000,000 per occurrence
<b>Sublimits:</b>	N/A
<b>Deductibles:</b>	TBD
<b>Extensions of Coverage:</b>	<ul style="list-style-type: none"> <li>• Innkeeper's / bailee legal liability</li> <li>• Broad from money and securities</li> </ul>

- Money orders
- Counterfeit paper
- Depositor’s forgery
- Computer fraud
- Cybercrime and transfer fraud
- Credit card forgery
- Audit expense
- Employee dishonesty

**Exclusions:** TBD

**Cancellation:** TBD

**[We can confirm that the insurance is in full force and effect and meets the requirements of the Lease and the Material Project Documents including the Financing Documents.]**

## 9.0 Insurers Security and Collateral Agent’s Protection

---

### 9.1 Insurers’ Security

Section 20.3 of the Lease states that all insurers must have a rating of at least a rating of:

- A.M. Best’s A- VII or an equivalent rating by a comparable rating agency.

In our opinion a rating of A.M. Best’s A- VII or a similar rating by a comparable rating agency is acceptable. We would suggest that an S&P A- is the equivalent rating and can be adopted in the Financing Documents.

The insurers are as follows:

Insurer	A.M. Best’s Rating	S&P Rating
Allianz Insurance Plc	Not Rated	AA-
Lloyds of London	A XV	A+
TBD		

**[TBD: The final insurer panel is not yet known however we have received confirmation from the insurance broker that all insurers will meet the rating requirement as set out under the Lease, which is, in our opinion, acceptable]**

### 9.2 Collateral Agent’s Security

#### 9.2.1 Collateral Agent’s Rights under the Lease

The PA does not contain explicit provisions for the protection of Finance Parties’ Rights regarding insurance with the exceptions of the policies containing 30 days notice of cancellation to the Collateral Agent for non-payment of premium. There is, however, reference to the claims of the Collateral Agent and states that the Port Authority, the City and EDC’s claims are subject to the claims of the Collateral Agent.



The Building Loan Agreement however provides for appropriate protection of the Lenders as set out in Section 6.3 [Required Insurance]. We can confirm that the additional recommended insurance as set out in Section 9.2.2 of this report has been incorporated into all insurance documentation and into the Building Loan Agreement, thus providing appropriate protection to the Lenders.

**9.2.2 Recommended Protection for the Collateral Agent**

The Collateral Agent is provided the following protection under the various policies:

Policy	Required by LIA and Building Loan Agreement
<b>Construction Period</b>	
<b>Builder’s Risk</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as loss payee</li> <li>• Waiver of subrogation</li> <li>• Non-vitiatio</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Commercial General Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as additional insured</li> <li>• Waiver of subrogation</li> <li>• Non-vitiatio</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Automobile Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent not named under the policy</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Professional Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent not named under the policy</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Workers Compensation</b>	<ul style="list-style-type: none"> <li>• Collateral Agent Collateral Agent not named under the policy</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Operating Period</b>	
<b>Property Insurance</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as loss payee</li> <li>• Waiver of subrogation</li> <li>• Non-vitiatio</li> <li>• Notice of cancellation (contained in Section 20.0(i)(i) of the Lease)</li> </ul>
<b>Boiler &amp; Machinery</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as loss payee</li> <li>• Waiver of subrogation</li> <li>• Non-vitiatio</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Business Interruption</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as loss payee</li> <li>• Waiver of subrogation</li> <li>• Non-vitiatio</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Commercial General Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as additional insured</li> <li>• Waiver of subrogation</li> <li>• Non-vitiatio</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Automobile Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent not named under the policy</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>

<b>Pollution Legal / Contractor's Pollution Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as additional insured</li> <li>• Waiver of subrogation</li> <li>• Non-vitiating</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Cargo &amp; Baggage Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as additional insured</li> <li>• Waiver of subrogation</li> <li>• Non-vitiating</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Liquor Liability</b>	<ul style="list-style-type: none"> <li>• Collateral Agent as additional insured</li> <li>• Waiver of subrogation</li> <li>• Non-vitiating</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Workers Compensation</b>	<ul style="list-style-type: none"> <li>• Collateral Agent not named under the policy</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>
<b>Commercial Crime</b>	<ul style="list-style-type: none"> <li>• Collateral Agent not named under the policy</li> <li>• Notice of cancellation (contained in Section 20.1(i)(i) of the Lease)</li> </ul>

## 10.0 Insurance Premiums

---

### 10.1 Insurance Premiums during the Construction Period

The final insurance premiums are still being finalized and we will provide in the final version of our report. INTECH has reviewed a budget of the insurance premiums and can confirm that they are reasonable in the market.

### 10.2 Insurance Premiums during the Initial O&M Period, the Phased Construction O&M Period and the O&M Period

The final insurance premiums are still being finalized and we will provide in the final version of our report. INTECH has reviewed a budget of the insurance premiums and can confirm that they are reasonable in the market.

## 11.0 Responsibility for Deductibles during the Construction Period

---

During the Construction Period the Design-Builder will be responsible for all deductibles. This is customary during the Construction Period on large construction and P3 projects.

## 12.0 Review of Design-Build Contract

---

INTECH has reviewed the Design-Build Contract dated February 14, 2016.

### 12.1 Responsibility for Placement

Under the DB Contract insurance will be procured by the following parties:

Policy Type	Developer Procured	Design-Builder Procured
All Risks Builder's Risk	✓	
Commercial General Liability and Workers' Compensation (Wrap-Up)	✓	
Contractor's Pollution Liability	✓	
Pollution Legal Liability	✓	
Excess Liability	✓	
Automobile Liability		✓

**12.2 Responsibility for Deductibles**

Under Section 20 of the DB Contract the Design-Builder will be responsible for all deductibles unless solely caused by a Developer Act.

In our opinion this approach is acceptable and it typical of other large P3 projects during construction.

**13.0 Review of Master Services Agreement**

---

INTECH has reviewed the Master Services Agreement Final Proposal.

**13.1 Responsibility for Placement**

Under the Term Sheet the Manager will be required to maintain a professional liability policy of \$5,000,000 per occurrence and \$10,000,000 annual aggregate.

All insurance required by the Lease will be procured by the Lessee.

This approach is typical of large P3 projects in North America and is acceptable to INTECH.

### 13.2 Responsibility for Deductibles

The Lessee is responsible for all deductibles under the Lease except for the insurance that the Manager is responsible to insure. Under Section 19.2 of the MSA the Manager will only pay for deductibles with respect to the professional liability they are required to carry.

This approach is acceptable to INTECH.

### 14.0 Review of Collateral Agency Agreement

---

INTECH has reviewed the Collateral Agency Agreement and has no additional comments.

### 15.0 Review of LTA Report

---

INTECH has reviewed the Pre-Financial Close Technical Due Diligence Report issued by BTY Group dated April 8, 2016. We can confirm there is nothing contained in the report which will negatively impact the ability to place insurance.

### 16.0 Compensation, Relief and Force Majeure Events

---

#### 16.1 Compensation Events

Compensation Events are typically uninsurable unless stated otherwise and are set out in Section 14.1 of the Lease Agreement as follows:

<i>Compensation Events</i>			
Event Number	Description	Insurable	Comments
(i)	Any failure by the Port Authority to complete, or cause to be completed, any work carried out in connection with any Supporting Project by the applicable Supporting Project Milestone; <u>provided</u> , that no such failure shall be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Parties are coordinating the resumption of performance pursuant to the last paragraph of Section 14.1(a);	No	

(ii)	<p>performance of work at or immediately adjacent to the Premises carried out by the Port Authority or its contractors that materially damages or disrupts the Construction Work so as to materially and adversely impact (notwithstanding the Lessee’s reasonable efforts to mitigate) the Lessee’s cost of performing the Construction Work; <u>provided</u>, that, for the avoidance of doubt, none of Delta, any other Scheduled Aircraft Operator and their respective contractors shall be considered contractors of the Port Authority for the purposes of this Agreement; and <u>provided, further</u>, that no such event shall be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Parties are coordinating the resumption of performance pursuant to the last paragraph of <u>Section 14.1(a)</u>;</p>	Yes	Physical damage and delay to the Project is covered by the Builder's Risk policy.
(iii)	<p>any failure by the Port Authority to respond in accordance with this Agreement or the other Project Documents to any Submittal subject to Port Authority Approval within the time period provided therefor under the D&amp;C Schedule of Submittals, the O&amp;M Schedule of Submittals, the Requirements and Provisions for Work, <u>Section 8.4 (Review Process)</u> or <u>Section 16.14 (Environmental Notices, Submittals and Reports)</u>, as applicable; <u>provided</u>, that no such failure shall be deemed to have occurred if due in whole or in part to (A) the submission of incomplete or unresponsive documentation by the Lessee for Port Authority Approval or (B) review by Governmental Entities required in connection with Submittals for Port Authority Approval where such review is required and cannot be completed or independently obtained by the Lessee; <u>provided, further</u>, that no such failure shall be deemed to be a Compensation Event to the extent it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Parties are coordinating the resumption of performance pursuant to the last paragraph of <u>Section 14.1(a)</u>;</p>	No	

(iv)	Any delay or failure by the Port Authority to issue a Temporary Certificate of Authorization to Occupy or Use with respect to a New Facilities Construction Milestone or Construction Segment, as applicable, a Certificate of Substantial Completion, a Certificate of Central Hall Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth herein if, in each case, all conditions to issuance of such certificate or Notice to Proceed have been fully satisfied; <u>provided</u> , that no such event shall be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Parties are coordinating the resumption of performance pursuant to the last paragraph of Section 14.1(a);	No	
(v)	Any suspension of the D&C Work by the Port Authority that constitutes a Compensation Event pursuant to <u>Section 10.9(b)</u> ;	Partially	The events considered in 10.9(b)(iii) are insurable under the builder's risk policy under the coverage "civil authority" or "ingress/egress" otherwise uninsurable.
(vi)	Any Directive Letter issued by the Port Authority pursuant to <u>Section 13.2 (Directive Letters)</u> ;	No	
(vii)	Any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Lessee's reasonable efforts to mitigate) the Lessee's cost of performing the D&C Work (other than D&C Work performed with respect to the New Improvements, which is addressed in <u>Section 14.1(a)(viii)</u> ); <u>provided</u> , that for the purposes of this <u>Section 14.1(a)(vii)</u> , Change in Law and Applicable Standards Change shall exclude (A) any repeal of, amendment or modification to, or written change in interpretation of, any Applicable Standard or Applicable Law, as the case may be, by the Federal government or any agency or political subdivision thereof or by the Port Authority in order to comply with or implement any Federal Change in Law or Applicable Standards Change; or (B) any adoption or enactment of any new Applicable Standard or Applicable Law, as the case may be, by the Federal government or any agency or political subdivision thereof or by the Port Authority in order to comply with or implement any new Federal Applicable Standard or Applicable Law;	No	

(viii)	Any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Lessee’s reasonable efforts to mitigate) the Lessee’s cost of performing the D&C Work with respect to the New Improvements;	No	
(ix)	Any change by the Port Authority to the General Conditions or the Technical Requirements taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Lessee’s reasonable efforts to mitigate) the Lessee’s cost of performing the D&C Work;	No	
(x)	Any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impacts the Lessee’s performance of the Operations and Maintenance Work in a way that increases operating expenditures or necessitates additional capital expenditures; but in each case, excluding any Discriminatory Change in Law and Discriminatory Applicable Standards Change that may be promulgated or applied from time to time (A) in the interest of public health, (B) in response to an Emergency or (C) that is intended to bring the Operations and Maintenance Work into compliance with Best Management Practices so long as applied in a non-discriminatory manner;	No	
(xi)	The issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law based on a claim that challenges the Port Authority’s authority to enter into this Agreement or the transactions contemplated hereby under New York Unconsolidated Laws Sections 6631-6647, which injunction or order prohibits or enjoins prosecution of the Work for more than ninety (90) consecutive days;	No	

(xii)	Any failure or delay by the Port Authority to obtain a Port Authority Governmental Approval it is required to obtain pursuant to the Project Documents, or, with respect to Governmental Approvals the Lessee is required to obtain pursuant to the Project Documents for which the Lessee has requested information or requires a signature from the Port Authority, any failure or delay by the Port Authority to provide such information or signature, subject to <u>Section 8.4 (Review Process)</u> , or <u>Section 16.14 (Environmental Notices, Submittals and Reports)</u> , within the specified time period, or, if no time period is specified, then within a reasonable time period after the request from the Lessee to provide such information or signature; <u>provided</u> , that no such failure or delay shall be deemed to be a Compensation Event to the extent it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Parties are coordinating the resumption of performance pursuant to the last paragraph of <u>Section 14.1 (a)</u> ;	No	
(xiii)	Any breach by the Port Authority of any material obligation under this Agreement (to the extent not covered otherwise by any of the other events specified in this <u>Section 14.1(a)</u> ), to the extent the Net Revenue Impact and Net Cost Impact caused by such breach exceed Ten Million Dollars (\$10,000,000) per occurrence;	No	
(xiv)	The occurrence of conditions relating to the Environmental Requirements described in <u>Section 16.17(b) (Cost Allocation for Lessee Responsibilities)</u> for which the Lessee is entitled to recover Incremental Environmental Damages pursuant to this <u>Section 14.1 (Compensation Events)</u> ;		
(xv)	The discovery of any Unknown Endangered Species by the Lessee during the carrying out of the Construction Work;	No	
(xvi)	The discovery of any Unknown Archaeological Remains by the Lessee during the carrying out of the Construction Work;	No	
(xvii)	The discovery of any Unknown Facilities by the Lessee during the carrying out of the Construction Work that causes a Net Cost Impact to the Lessee's performance of the Construction Work, to the extent such Net Cost Impact exceeds One Million Dollars (\$1,000,000) per occurrence or, taken together with all other amounts of Net Cost Impact with respect to previous occurrences of a Compensation Event under this <u>Section 14.1(a)(xvii)</u> , exceed Five Million Dollars (\$5,000,000) in the aggregate;	No	



(xviii)	The discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that causes a Net Cost Impact to the Lessee’s performance of the Construction Work, to the extent such Net Cost Impact exceeds One Million Dollars (\$1,000,000) per occurrence or, taken together with all other amounts of Net Cost Impact with respect to previous occurrences of a Compensation Event under this Section 14.1(a)(xviii), exceed Five Million Dollars (\$5,000,000) in the aggregate;	No	
(xix)	The issuance by the Port Authority of any Qualifying Safety Compliance Order; or	No	
(xx)	Any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Law that has, or could reasonably be expected to have, a direct, material and adverse impact on the Lessee’s performance of the Work.	No	

Unless the Compensation Event is also a Force Majeure Event (discussed in 15.3 below), the Lessee shall provide a Compensation Event notice to the Port Authority and compensation would be handled as per Section 14.1(c) and 14.1(d) of the Lease.

In the event the Compensation Event is insured, the insurance would pay out and then any additional damages could be picked up under the Compensation Event provisions.

**16.2 Delay Events**

Delay Events are typically uninsurable unless stated otherwise and are set out in Section 14.2 of the Lease Agreement as follows:

<i>Delay Events</i>			
Event Number	Description	Insurable	Comments
(i)	The occurrence of any Force Majeure Event with respect to the Lessee or any other Lessee-Related Entity;	Please see 17.3	
(ii)	Any failure by the Port Authority to complete, or cause to be completed, any work carried out in connection with any Supporting Project by the applicable Supporting Project Milestone;	No	
(iii)	Performance of work at or immediately adjacent to the Premises carried out by the Port Authority or its contractors (or by Delta in respect of the Other Redevelopments), that materially damages or disrupts the Construction Work so as to cause a material delay to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and/or the scheduled Final Acceptance Date set forth in the Project Baseline Schedule;	Yes	Physical damage and delay to the Project is covered by the Builder's Risk policy.
(iv)	Any failure by the Port Authority to respond in accordance with this Agreement or the other Project Documents to any Submittal subject to Port Authority Approval within the time period provided thereof under the D&C Schedule of Submittals, the O&M Schedule of Submittals, the Requirements and Provisions for Work, <u>Section 8.4 (Review Process)</u> or <u>Section 16.14 (Environmental Notices, Submittals and Reports)</u> , as applicable; <u>provided</u> , that no such failure shall be deemed to have occurred if due in whole or in part to (A) the submission of incomplete or unresponsive documentation by the Lessee for Port Authority Approval, or (B) review by Governmental Entities required in connection with Submittals for Port Authority Approval where such review is required and cannot be completed or independently obtained by the Lessee;	No	
(v)	Any delay or failure by the Port Authority to issue a Temporary Certificate of Authorization to Occupy or Use with respect to a New Facilities Construction Milestone or a Construction Segment, as applicable, a Certificate of Substantial Completion, a Certificate of Central Hall Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth herein if, in each case, all conditions to issuance of such certificate or Notice to Proceed have been fully satisfied;	No	

(vi)	Any suspension of the D&C Work by the Port Authority that constitutes a Delay Event pursuant to <u>Section 10.9(b)</u> ;	Partially	The events considered in 10.9(b)(iii) are insurable under the builder's risk policy under the coverage "civil authority" or "ingress/egress" otherwise uninsurable.
(vii)	Any Directive Letter issued by the Port Authority pursuant to <u>Section 13.2 (Directive Letters)</u> ;	No	
(viii)	Any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Lessee's reasonable efforts to mitigate) the Lessee's performance of the D&C Work;	No	
(ix)	Any change by the Port Authority to the General Conditions or the Technical Requirements taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Lessee's reasonable efforts to mitigate) the Lessee's performance of the D&C Work;	No	
(x)	Any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impacts the Lessee's performance of the Operations and Maintenance Work; but in each case, excluding any Discriminatory Change in Law and Discriminatory Applicable Standards Change that may be promulgated or applied from time to time (A) in the interest of public health, (B) in response to an Emergency or (C) that is intended to bring the Operations and Maintenance Work into compliance with Best Management Practices so long as applied in a non-discriminatory manner;	No	
(xi)	Any failure or delay by the Port Authority to obtain a Port Authority Governmental Approval it is required to obtain pursuant to the Project Documents, or, with respect to Governmental Approvals the Lessee is required to obtain pursuant to the Project Documents but for which the Lessee has requested information or requires a signature from the Port Authority, any failure or delay by the Port Authority to provide such information or signature, subject to <u>Section 8.4 (Review Process)</u> or <u>Section 16.14 (Environmental Notices, Submittals and Reports)</u> , within the specified time period, or, if no time period is specified, then within a reasonable time period after the request from the Lessee to provide such information or signature;	No	

(xii)	Any breach by the Port Authority of any material obligation under this Agreement (to the extent not covered otherwise by any of the other events specified in this <u>Section 14.2(a)</u> );	No	
(xiii)	The issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law based on a claim that challenges the Port Authority's authority to enter into this Agreement or the transactions contemplated hereby under New York Unconsolidated Laws Sections 6631-6647, which injunction or order prohibits or enjoins prosecution of the Work;	No	
(xiv)	The occurrence of conditions relating to the Environmental Requirements described in <u>Section 16.17(b)</u> ( <i>Cost Allocation for Lessee Responsibilities</i> ) for which the Lessee is entitled to schedule relief pursuant to this <u>Section 14.2</u> ( <i>Delay Events</i> );	No	
(xv)	The discovery of any Unknown Endangered Species by the Lessee during the carrying out of the Construction Work;	No	
(xvi)	The discovery of any Unknown Archaeological Remains by the Lessee during the carrying out of the Construction Work;	No	
(xvii)	The discovery of any Unknown Facilities by the Lessee during the carrying out of the Construction Work that adversely impacts the Lessee's performance of the Construction Work;	No	
(xviii)	The discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that adversely impacts the Lessee's performance of the Construction Work;	No	
(xix)	The issuance by the Port Authority of any Qualifying Safety Compliance Order;	No	
(xx)	The issuance of a decision or determination by the Chief Engineer pursuant to <u>Section 33.3</u> ( <i>Chief Engineer's Jurisdiction</i> ) in connection with a Dispute involving a purely technical or engineering matter;	No	
(xxi)	Any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Law that has, or could reasonably be expected to have, a direct, material and adverse impact on the Lessee's performance of the Work; or	No	
(xxii)	Any Lessee Change Request approved by the Port Authority that implements an Airline Requested Change pursuant to <u>Section 13.3(g)</u> .	No	

On the occurrence of a Delay Event or a Force Majeure Event Lessee shall provide a Delay Event Notice to the Port Authority and compensation would be handled as per Section 14.2(c) and 14.2(d) of the Lease.

In the event the Delay Event is insured, the insurance would pay out and then any additional damages could be picked up under the Delay Event provisions.

### 16.3 Force Majeure Events

Force Majeure Events are defined in the Definitions section of the Lease as follows:

<i>Force Majeure Events</i>			
Event Number	Description	Insurable	Comments
(i)	War (including civil war and revolution), invasion, armed conflict, violent act of foreign enemy, military or armed blockade or military or armed takeover of LGA Airport;	No	
(ii)	Any act of riot, insurrection, civil commotion, act of terror or sabotage;	Yes	
(iii)	Nuclear or radioactive contamination of the Premises or the areas subject to the Temporary Rights of Access;	No	
(iv)	Fire, explosion, earthquake;	Yes	
(v)	Hurricane force winds, tornadoes, floods, tsunami, Named Windstorms or snow or ice storms that are not ordinarily encountered at LGA Airport;	Yes	
(vi)	Any event as a result of which a state of Emergency has been declared.	Partially	Yes, if there is physical damage to the property. There is also coverage for civil authority or ingress / egress.
<b>With respect to the Lessee, an event is not a Force Majeure Event if such event is otherwise specifically dealt with in this Agreement or arises by reason of any of the following:</b>			
(a)	The negligence or willful misconduct of any Lessee-Related Entity;		
(b)	Any act or omission by any Lessee-Related Entity in breach of the provisions of this Agreement (including the standards required by the Requirements and Provisions for Work);		
(c)	Delay Events, other than Force Majeure Events with respect to any Lessee-Related Entity;		
(d)	Lack or insufficiency of funds or failure to make required payment of monies or provide required security on the part of any Lessee-Related Entity;		
(e)	Any strike, labor dispute or labor protest directed solely at any Lessee-Related Entity or caused by or attributable to any act (including any pricing or other practice or method of operation) or omission of any Lessee-Related Entity;		

(f)	An earthquake after Substantial Completion that affects the Premises and that causes ground accelerations below the standards required by the Requirements and Provisions for Work;		
(g)	Floods after Substantial Completion that affect the Premises below the base flood levels specified in the Requirements and Provisions for Work;		
(h)	Market conditions and economic conditions affecting the availability, supply, or cost of labor, equipment and materials, construction equipment and supplies, or commodities, other than as a result of the events described in clauses (i) through (vi) above;		
(i)	Market conditions and economic conditions affecting the Lessee’s ability to meet its financial obligations; or		
(j)	Weather conditions, other than the events described in clauses (v) and (vi) above.		

The majority of the Force Majeure Events are insurable. Upon the occurrence of a Force Majeure Event the Delay Event provisions in 14.2(c) and 14.2(d) apply.

**17.0 Commercial Availability of Insurance (Uninsurability)**

---

Section 20.2(j) addresses the Commercial Availability of the required insurances. In the event that the Lessee feels that the insurance is not available at commercially reasonable rates, exclusive of the Lessee’s claims and loss experience, the Lessee can provide to the Port Authority evidence of commercial unavailability. The Port Authority will then consider the evidence and will do one of the following within 10 days of receipt:

- If the Port Authority agrees that the insurance is commercially unavailable it will advise this to the Lessee. The Lessee will then obtain the maximum insurance that is available at commercially reasonable rates for the risks at issue. The Lessee must annually attempt to procure insurance as per the terms of the Lease unless they continue to be unavailable and commercially reasonable rates.
- If the Port Authority does not agree then it will advise the Lessee and an Independent Insurance Consultant will be brought in to review and adjudicate the claims of both parties. The judgment of the Independent Insurance Consultant will be binding for one policy period and upon renewal will be reviewed again.

In our opinion the language contained in this section is reasonable and provides protection for the Lessee in the event one or more of the insurances should become commercially unavailable through the Term.

**18.0 Insurance Premium Benchmarking**

---

There are currently no premium benchmarking provisions under the Lease to help offset the cost of insurance in the event it rises unexpectedly. This risk must be borne 100% by the Lessee.

## 19.0 Conclusion

---

The insurance requirements set out in Section 20 of the Lease for the Construction Period, the Initial O&M Period, the Phased Construction O&M Period and the O&M Period meet or exceed our requirements for a similar civil infrastructure project in the United States of America and, in our opinion, are such to adequately protect the Project and the Lenders pending our additional recommendations. We can confirm that any additional recommendations set out in this report have been incorporated into the insurance policies and the Lenders are appropriately named under all policies in accordance with the Building Loan Agreement.

As of Commercial Close no insurance is required to be in force. Insurance must be effected as per the Lease Commencement Date which will line up with Financial Close. The insurance program will be procured prior to Financial Close. INTECH can confirm that we have reviewed the proposals and all insurance will meet the terms and conditions set out in the Material Project Documents.

We have signed off a Commercial Close and are working with the Lessee's insurance broker to finalize all insurance prior to Financial Close.

We would be happy to review our comments with any of the interested parties.

Yours truly,

INTECH Risk Management GmbH

A handwritten signature in black ink that reads "Sarah E. Roberts". The signature is written in a cursive, flowing style.

Sarah E. Roberts, MBA, CRM  
President

**DIRECT DIAL: +1 416 348 1365**  
**E-MAIL: [sroberts@intechrisk.com](mailto:sroberts@intechrisk.com)**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



**Appendix B-4**

**REPORT OF THE AIRLINE TRAFFIC FORECAST CONSULTANT**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

# Traffic Forecast for Terminal B / LaGuardia Airport

April 21, 2016

Prepared by: Oliver Wyman



## QUALIFICATIONS, ASSUMPTIONS & LIMITING CONDITIONS

All opinions, advice and materials provided by Oliver Wyman that are included, reflected or summarized herein (the “Oliver Wyman Content”) are for the exclusive use of Oliver Wyman’s client, LaGuardia Gateway Partners, and its professional advisers, it being understood, however, that Oliver Wyman has consented to inclusion of a copy of this report, in its entirety, in the Preliminary Official Statement and the Official Statement pursuant to which the New York Transportation Development Corporation Special Facilities Bonds, Series 2016A (Tax Exempt - AMT) (LaGuardia Airport Terminal B Redevelopment Project) and Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project) will be offered to the public. There are no third party beneficiaries with respect to the Oliver Wyman Content, and Oliver Wyman disclaims any and all liability to any third party in respect of the Oliver Wyman Content. The Oliver Wyman Content does not represent investment advice or provide an opinion regarding the fairness of any transaction to any and all parties. The opinions expressed in the Oliver Wyman Content are valid only for the purpose stated herein and as of the date hereof. Information furnished by others, upon which all or portions of the Oliver Wyman Content are based, is believed to be reliable but has not been verified. No warranty is given as to the accuracy of such information. Public information and industry and statistical data are from sources Oliver Wyman deems to be reliable; however, Oliver Wyman makes no representation as to the accuracy or completeness of such information and has accepted the information without further verification. No responsibility is taken for changes in market conditions or laws or regulations and no obligation is assumed to revise the Oliver Wyman Content to reflect changes, events or conditions, which occur subsequent to the date hereof.

## Table of Contents

<b>1.</b>	<b>Introduction</b>	<b>1</b>
<b>2.</b>	<b>Background</b>	<b>3</b>
<b>3.</b>	<b>Forecast Methodology</b>	<b>7</b>
<b>4.</b>	<b>Passenger and ATM Forecast</b>	<b>11</b>
4.1.	New York City metropolitan traffic forecast	11
4.2.	LaGuardia Traffic Forecast	14
4.3.	Terminal B Traffic Forecast	24
<b>5.</b>	<b>Aircraft Type Forecast for Terminal B</b>	<b>28</b>
<b>6.</b>	<b>Cargo Forecasts</b>	<b>32</b>
<b>7.</b>	<b>Peak-Hour Forecast</b>	<b>35</b>
<b>8.</b>	<b>Forecast Comparison</b>	<b>36</b>
8.1.	Comparison to Port Authority and FAA forecasts	33
8.2.	Comparison to traffic forecast produced during RFP phase	37

## List of Tables

Table 1: Airports in the New York City catchment area	3
Table 2: 2015 departure share of airlines at LGA and Terminal B	6
Table 3: Real GDP forecast used for 2015-2050	13
Table 4: Declining share of LGA airport in New York metropolitan area	15
Table 5: Peak-hour operations at major New York City airports	16
Table 6: Annual ATM capacity at 3 major New York City airports	17
Table 7: Annual ATM capacity at 3 regional airports	18
Table 8: Number of gates at New York City airports	19
Table 9: Annual passenger capacity at New York City airports	20
Table 10: LGA Traffic Forecast Summary	21
Table 11: LGA ATM Forecast Summary	22
Table 12: Average aircraft size of airlines before and after slot-divesture	23
Table 13: Terminal B Traffic Forecast Summary	25
Table 14: Terminal B ATM Forecast Summary	26
Table 15: Forecasted Fleet Upgauging	31
Table 16: Cargo rates derived by aircraft type using historical DOT data	33
Table 17: LGA forecast comparison between Oliver Wyman, FAA and PANYNJ forecast (millions of passengers)	37
Table 18: Forecast Assumption Comparison	40
Table 19: Forecast comparison at 10-year intervals (prior and current)	41

## List of Figures

Figure 1: New York metropolitan airports, passengers in millions	4
Figure 2: Passenger and flight profiles for major New York airports	4
Figure 3: 2014 Passengers by Terminal at LGA (millions)	6
Figure 4: Flow-chart describing the process of forecast development	9
Figure 5: Historical New York City passenger growth vs. GDP growth	12
Figure 6: New York City area annual air passenger forecast (2015-2050)	14
Figure 7: LGA traffic forecast (2015-2050)	21
Figure 8: LGA ATM Forecast (2015-2050)	22
Figure 9: Terminal B Passenger forecast (2015-2050).	25
Figure 10: Terminal B ATM forecast (2015-2050)	26
Figure 11: Monthly passenger forecast for Terminal B for the period 2016-2022	27
Figure 12: Monthly ATM forecast for Terminal B	27
Figure 13: Aircraft Type ATM forecast for Terminal B	30
Figure 14: Historical cargo tonnage at LGA	32
Figure 15: LGA cargo forecast for 2015-2050	33
Figure 16: Peak-hour ATM forecast (Arrivals and Departures) for LGA	35
Figure 17: Forecast comparison for LGA for 2014-2032	37
Figure 18: LGA 2032 forecast comparison	38
Figure 19: Growth rate comparison, LGA traffic forecast	38
Figure 20: Real GDP forecast comparison (Oliver Wyman and PANYNJ forecasts)	39
Figure 21: LGA traffic forecast comparison	41
Figure 22: GDP forecast comparison between prior and current	42

## List of Appendices

Appendix 1: LaGuardia Airport Traffic Forecast	44
Appendix 2: Terminal B Traffic Forecast	46
Appendix 3: Peak hour forecast for LGA	48
Appendix 4: GDP multiplier econometric model	49
Appendix 5: Market share extrapolation for airports	50

# 1. Introduction

This report was prepared for LaGuardia Gateway Partners (LGP) in support of its proposal to the Port Authority of New York and New Jersey (PANYNJ) to design, build, finance, operate and maintain Terminal B of LaGuardia Airport under a lease agreement from 2016-2050. Under the lease, LGP would design and construct a new 35-gate Terminal B to replace the existing outdated facility.

This document presents the results of the forecasts described below and explains the underlying methodologies and assumptions. The baseline passenger traffic and aircraft activity forecasts for LaGuardia Airport (LGA) and Terminal B are provided for the period from 2015 to 2050. The forecasts are provided at a monthly level for the construction phase of Terminal B (from 2016 to 2022) and then at a semi-annual level.

In summary, the following forecasts are provided:

- Passenger, cargo and air traffic movement (ATM) forecast for LGA
- Passenger, cargo and ATM forecast for Terminal B
- Forecast by aircraft-type for Terminal B (until 2022 to cover the construction period)
- Peak-hour forecast for next 10 years (2015-2025)

Aggregate passenger and air-traffic movement (ATM) forecasts are segmented by: domestic vs. international passengers, connecting vs. local passengers, and outbound vs. inbound passengers. ATM forecasts are segmented by narrow-body aircraft (NB), wide-body aircraft (WB), commuter aircraft<sup>1</sup>, cargo and general aviation and military aircraft.

The forecasts presented in this document are constrained in that they reflect the effect of airport capacity constraints (e.g., aircraft movement and passenger constraints) at the largest commercial service airports in the New York City area – John F. Kennedy (JFK), Newark Liberty (EWR), and LaGuardia Airport (LGA), each of which is operated by PANYNJ. In providing our forecasts, Oliver Wyman also took into account total air service demand in the area, which includes that at Islip (ISP), White Plains (HPN), and Stewart Field (SWF). To accurately forecast passengers for a multi-airport system, we considered the effects of spill-over traffic on LGA from other airports in the New York City area.

Planned infrastructure enhancements are intended to provide additional useable aviation capacity in the New York City area and are taken into consideration in

---

<sup>1</sup> Commuter category is defined by aircraft type and includes all the turbo-prop and regional aircraft



developing the forecasts. Enhancements to terminal capacity are both incorporated at appropriate dates during the forecast period.

This report is prepared for the Preferred Proposer stage and updates the original report from March 24, 2014. The following changes in assumptions and data have been made in this report:

- No increase in the number of LGA slots, including any resulting from the NextGen program.
- Commuter slot rule is no longer in effect
- Enhancement plans in line with PANYNJ 10-year capital plan (dated Feb , 2014)
- Post-construction scenario where American Airlines co-locates its operation in Terminal B with Spirit, Virgin America, and Frontier vacating Terminal B.
- EWR slot restrictions are lifted in Q4, 2016
- GDP forecast has been updated with most recent Economist Intelligence Unit (EIU) real GDP forecast (released in Dec 2015)
- Traffic and schedule data statistics has been updated with the latest data releases from U.S. Department of Transportation and PANYNJ statistics
  - ✓ PANYNJ Airport traffic report (2014) and Monthly traffic statistics (Nov 2015). U.S. DOT T-100 statistics (Jun 2014)

Oliver Wyman forecast uses GDP forecast as the driver of economic activity and air traffic, and actual results may differ from forecasts. In case economic environment is materially different than current projections, the air traffic forecast will change. Similarly, while it is assumed that American airlines will co-locate its operation to terminal B, in case it does not happen there will be an impact on traffic forecast.<sup>2</sup>

#### *About Oliver Wyman*

Oliver Wyman, the management consulting subsidiary of Marsh & McLennan, is a global consulting firm representing clients in all sectors of aviation, including airports, airlines, aerospace companies, service providers, and investors. Oliver Wyman has approximately 3,000 consultants of whom approximately 200 work on aviation projects on a regular basis. The firm has extensive experience supporting aviation clients in forecasting, market analysis, network planning, fleet planning, revenue management, infrastructure optimization, and operational improvements. Oliver Wyman has completed projects for more than 75 airlines around the world, including most U.S. airlines, as well as major U.S. and international airports.

Oliver Wyman has a powerful suite of industry data and analytical tools through [www.planestats.com](http://www.planestats.com), which includes worldwide schedules and flight routings, in addition to U.S. carrier passenger demand and fare information, and airline cost information. The firm publishes daily aviation newsletter nOW arriving and other leading aviation trade publications.

---

<sup>2</sup> No co-location from American Airlines was considered as a scenario which impacts terminal B forecast by 5%(lower).

## 2. Background

In 2014, LGA was the third largest airport in the New York area and ranked 20<sup>th</sup> among U.S. airports in passengers carried.<sup>3</sup> The New York City metropolitan area has the busiest airport system in the U.S. and the three major airports operated by PANYNJ – JFK, EWR, and LGA – carried a total of 116 million passengers in 2014. JFK – the largest – carried a total of 53 million passengers, followed by EWR at 36 million passengers and LGA carried 27 million passengers in 2014.

In the New York City area, three smaller airports also provide commercial air carrier service. For the purpose of forecasting passengers and movements for the New York City area, all six airports are included in the catchment area and are listed in Table 1. PANYNJ operates the three major airports in the New York area (JFK, EWR and LGA) and also operates Stewart International Airport (SWF) and Teterboro (TEB) airport in the New York metropolitan area. Teterboro is a general aviation (private aircraft) and charter airport and is not considered as an alternate airport for commercial air carrier service.

**Table 1: Airports in the New York City catchment area**

<b>Major Airports:</b>	<b>Daily Departures<sup>4</sup></b>	<b>Distance from Manhattan</b>
John F. Kennedy Airport (JFK)	579	15 miles
Newark Liberty Airport (EWR)	532	16 miles
LaGuardia Airport (LGA)	511	8 miles
<b>Smaller Airports:</b>		
Westchester County Airport (HPN)	38	32 miles
Long Island MacArthur Airport (ISP)	16	53 miles
Stewart International Airport (SWF)	7	60 miles

In 2014, John F. Kennedy Airport (JFK) carried 45% of all the passengers in the New York City metro area, followed by Newark Liberty (EWR) at 30% and LGA at 23%. The three smaller airports combined carried 2.6% of the total passengers, with Westchester County (HPN) carrying 1.3%, Long Island MacArthur (ISP) carrying 1.1% and Stewart International (SWF) carrying 0.3% passengers. The breakdown of passengers carried at each airport is given in Figure 1:

<sup>3</sup> PANYNJ airport traffic report (2014)

<sup>4</sup> Based on 2015 OAG Schedule data ([www.PlaneStats.com](http://www.PlaneStats.com))

**Figure 1: New York metropolitan airports, passengers in millions (2014)<sup>5</sup>**

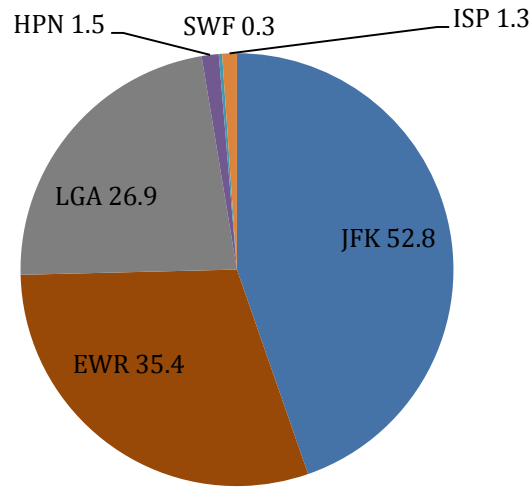
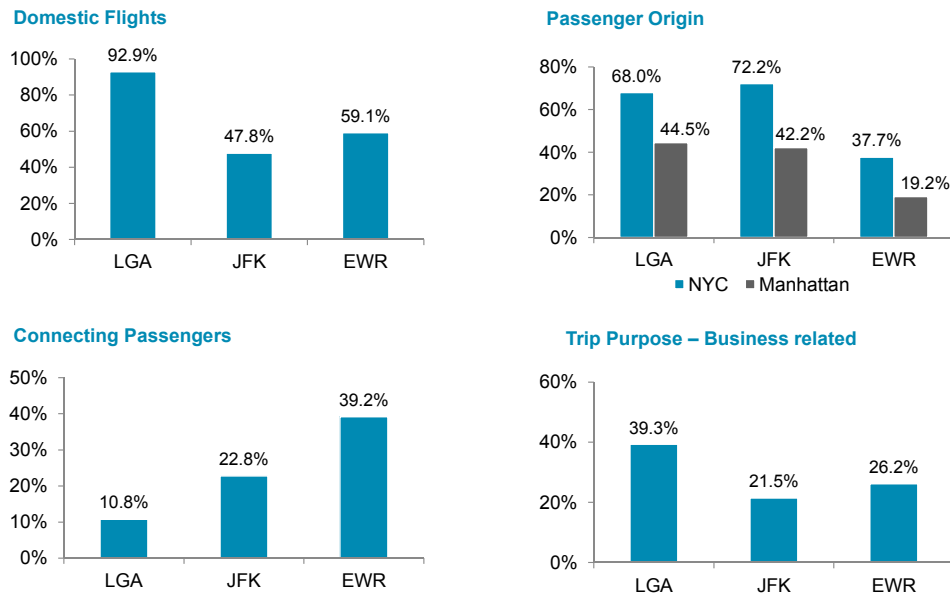


Figure 2 below, based on the survey data from PANYNJ, provides information for LGA, JFK, and EWR regarding the percentage of domestic versus international flights, the originating location of passengers, the percent of connecting passengers, and the trip purpose.

**Figure 2: Passenger and flight profiles for major New York airports<sup>6</sup>**



<sup>5</sup> PANYNJ statistics and US DOT T-100 data (2014)

<sup>6</sup> PANYNJ airport traffic report (2014) and survey data. Airline Schedule data (OAG)

LGA primarily serves domestic and short-haul markets. The shorter flight length is due to the Perimeter Rule imposed by PANYNJ that prohibits non-stop flights exceeding 1,500 miles.<sup>7</sup> The only international destinations served in 2015 were Canadian destinations (Toronto, Montreal, Ottawa and Halifax), Nassau, Aruba and Bermuda.<sup>8</sup> LGA does not have any federal inspection services facilities (FIS) and therefore arriving passengers must complete customs and immigration requirements at their originating airports. As a result, the only international flights at LGA are those operating to/from international airports that have US “pre-clearance” facilities.

LGA has a very high percentage of O&D<sup>9</sup> passengers arriving at and departing from New York City rather than connecting passengers. The airport’s traffic is 10.8% connecting traffic, which is the lowest among the major airports in the New York City area, and Terminal B has an even lower connecting traffic percentage than LGA overall (6.8%). Additionally, LGA has the highest percentage of business-related travel (39.3%) among the three primary airports<sup>10</sup>.

While LGA is mostly served by legacy network carriers, low-cost carriers provide 21.2% of total capacity at the airport as measured by seats. The low-cost carriers serving LGA are Southwest, JetBlue, Spirit, Frontier, Virgin America and WestJet. Low-cost carriers have expressed interest in growing at LGA due to its close proximity to Manhattan and they have been buying LGA slots as they become available. At Terminal B, low-cost carriers have a much higher share than at LGA overall and currently provide 41.3% of total capacity<sup>11</sup>, which has increased over the last 1-2 years due to the slot divestiture by American and US Airways to Virgin America and Southwest. The overall capacity share of low-cost carriers at LGA is 21.2%. Table 2 provides the current departure share for each carrier at LGA.

---

<sup>7</sup> The exceptions to this rule are Saturday flights and flights to and from Denver

<sup>8</sup> Source: OAG schedule database, full year 2015 airline schedules ([www.PlaneStats.com](http://www.PlaneStats.com))

<sup>9</sup> Origin and Destination (O&D) passengers are those traveling to or from a particular airport, as opposed to just using the airport to change flights.

<sup>10</sup> PANYNJ airport traffic report (2014)

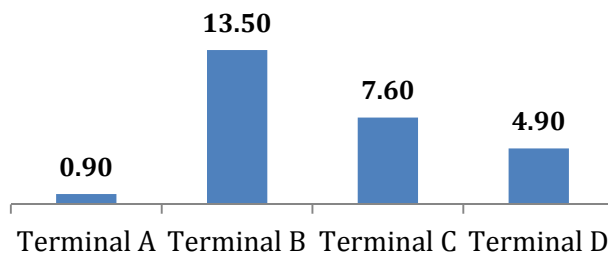
<sup>11</sup> Based on OAG data, 2015 ([www.PlaneStats.com](http://www.PlaneStats.com)). After slot divestiture

**Table 2: 2015 departure share of airlines at LGA and Terminal B<sup>12</sup>**

<b>Airline</b>	<b>Departure Share at LGA (Seats)</b>	<b>Departure Share at Terminal B (Seats)</b>
Delta	40.3%	
American (Terminal B)	19.1%	35.6%
American (Terminal C)	8.5%	
Southwest	8.7%	18.4%
United	7.3%	15.5%
JetBlue	5.3%	11.2%
Spirit	3.9%	8.2%
Air Canada	3.6%	7.6%
WestJet	1.6%	
Virgin America	0.9%	1.9%
Frontier	0.8%	1.6%

Out of the four terminals at LGA, Terminal B currently has a 50%<sup>13</sup> share of total passengers at the Airport, and over the last five years its share has ranged from 50%-53%.

**Figure 3: 2014 Passengers<sup>14</sup> by Terminal at LGA (millions)**



<sup>12</sup> OAG Schedule database (www.PlaneStats.com): 2015

<sup>13</sup> Based on 2014 PANYNJ airport traffic report

<sup>14</sup> Based on 2014 PANYNJ airport traffic report

### **3. Forecast Methodology**

The methodology used to develop the long-term traffic, capacity, and air traffic movements forecast for LGA is grounded in quantitative and econometric modelling and incorporates market knowledge and expertise specific to the New York metropolitan area and future aviation trends. This methodology uses a combination of top-down and bottom-up forecasting techniques to provide the granularity required.

The traffic forecast was developed through the following steps:

1. Econometric model utilized to predict aggregate New York area traffic (all airports) for the next 35 years. Historical traffic data (New York airports) and US GDP and/or NYC GRP growth rates are utilized to develop this model. Forecasted economic activity is used to predict New York area aggregate unconstrained forecast
2. Market share trends for airports are developed using historical data to predict traffic forecast at an airport level. No airport capacity constraints are considered at this step.
3. Traffic is further allocated to individual airport terminals. Traffic segmentation is done using historical data for Domestic/International, Local/Connecting, Legacy/LCC and Narrow-body and Wide-body segments.
4. A Spill-over model is developed to forecast constrained traffic at the airport level. Spill modelling is done at the aggregate airport level as well as by hour movement constraints. Airport ATM capacity and passenger capacity is used as a constraint.
5. Historical by-hour air traffic movement patterns are analysed to develop peak-period and peak hour analysis for ATMs and passengers. Final forecasts for segmented passenger traffic and ATM forecasts are developed.
6. Sensitivity analysis: The forecast will be subjected to sensitivity analysis, and different business scenarios and its impact on traffic forecast will be studied.

The forecasting methodology starts with a top-down econometric focus, forecasting the traffic for the whole New York metropolitan area (aggregate level) based on econometric forecasts. Bottom-up forecasts are used to produce data at the airport level, at the terminal level, and by traffic type (e.g., domestic/international, connecting/local, LCC/legacy). GDP growth is the primary driver of increasing passenger demand with a close historical correlation between the two.

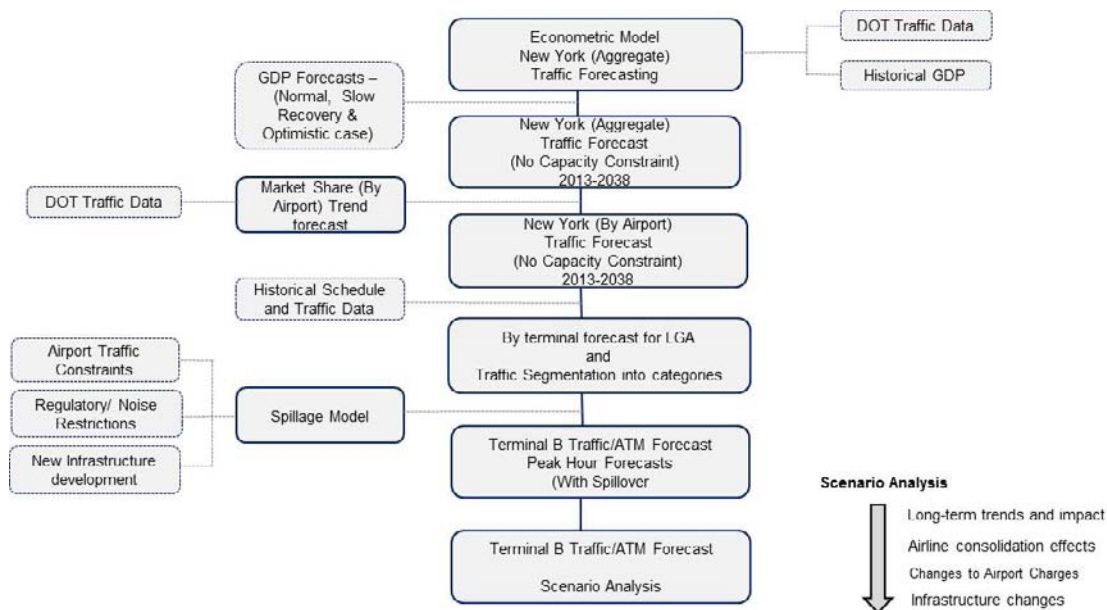
Terminal forecast (Terminal B vs. rest of the airport) is developed using historical traffic data percentages, and then adjusted for any recent airline changes based on the current airline schedules and any anticipated changes. Initial forecasts are done at an unconstrained level and then capacity constraints (total air traffic movement constraints as well as hourly and passenger capacity constraints and terminal constraints) are applied to arrive at the final constrained forecasts.

Spill models are developed and applied to spill traffic to other airports as well as to capture spill-over traffic from other airports in the metropolitan area. The underlying theory of these models is that once an airport starts reaching capacity (in terms of passenger or ATM capacity) passengers shift to other facilities or airports since it is unable to accommodate the demand. Most of this spill demand is captured by other airports in the region as long as they have surplus capacity to accommodate it. LGA has the special perimeter rule constraint and can only accommodate spill-over traffic to points within the perimeter rule.

Cargo forecasts are generally based on economic factor drivers. However, airport specific factors are more important contributors to the cargo activity at LGA because the Airport is not served by any freighter aircraft and therefore all cargo volumes are the result of belly cargo capacity. Recent historical cargo activity trends are studied and utilized in developing the cargo activity forecast.

The flow chart in Figure 4 outlines the methodology used for the long-term forecasting process.

**Figure 4: Flow-chart describing the process of forecast development**



In addition to the econometric drivers of air traffic demand, other key elements affecting traffic development at LGA and Terminal B which are considered include:

- Long-term trends in the U.S. air transport market and their impact on New York City area airports, and LGA in particular
  - ✓ The impact of LCC growth on LGA traffic development
  - ✓ The impact on LGA traffic development of airline consolidation, including the impact of the American Airlines/US Airways merger and slot divestures that resulted from it
  - ✓ Impact of airline fleet changes, and up-gauging trends in aircraft size
- The impact of future infrastructure changes at each of the New York City area's three major airports
- The impact of improvements in facilities, and any other relevant issues such as aeronautical charges
- Assessment of potential impact of various scenarios that could negatively impact traffic for a period of time. These will include, but are not limited to, additional consolidation, the exit of one or more carriers, changes in New York City vehicle traffic patterns, changes to carrier mix, and changes in the economic environment



The data sources used for development of long-term forecast include:

- U.S. Department of Transportation T-100 (segment-based traffic and capacity)
- U.S. Department of Transportation Db1b O&D Survey data (historical traffic)
- PANYNJ publicly-available data (passengers, capacity, terminal, survey data, airport charges)
- Airline schedule data (historical and future sourced from Innovata)
- Economic activity data (U.S. GDP historical<sup>15</sup> data)
- Economic Intelligence Unit (EIU GDP forecasts)
- Woods & Poole Economics data (detailed regional economic and demographic data)
- Other aviation publications and data sources (including Regional Plan Association study, PlaneStats, etc.)

---

<sup>15</sup> U.S. Bureau of economic analysis (BEA) data

## **4. Passenger and ATM Forecast**

### **4.1. New York City metropolitan traffic forecast**

The first step in developing the forecasts was the development of an unconstrained traffic forecast for all of the New York City metropolitan area. Historical traffic<sup>16</sup> in the New York City area was correlated with real GDP (inflation-adjusted) to develop a traffic-GDP multiplier that was used for forecasting the unconstrained traffic for all of the New York City area. Historically, growth in airline travel has correlated very well with economic activity. In this forecast, GDP growth is considered as the major driver for the traffic activity at the airport. The GDP of the entire United States was utilized for development of GDP-multiplier. The GDP of New York State was also considered and was highly correlated with GDP for the country, with a correlation of over 99% for the last 15 years.

A period associated with the events of September 11, 2001 was excluded to avoid correlating the abnormal traffic volumes during that period with drivers of economic activity, since the correlation would be grossly distorted during this period<sup>17</sup>. (See Figure 5).

A regression based econometric model was developed with a traffic-GDP multiplier of 0.88. Based on this multiplier, if real GDP grows by 1% there will be a corresponding growth of 0.88% in New York City area traffic. This model was statistically very well-correlated with an adjusted R-squared of 0.99. This model was further revised to capture the effect of any stimulation that would happen in the market due to lifting of slot restrictions for EWR. For this purpose, historical data prior to 2008 was used, and a slightly higher GDP multiplier of 0.892<sup>18</sup> was developed, which includes the effect of any additional traffic.

After the initial unconstrained forecast, capacity constraints at the airport level are taken into consideration to produce a more realistic constrained forecast that takes into account any capacity limitation of the airports whether at the airside or landside. Once airports reach capacity, some demand is diverted to alternate airports with surplus capacity and some demand is lost to alternate modes of transportation such as trains and buses in short-haul markets. Some of the business demand traffic for airports reaching capacity could also be suppressed with the

---

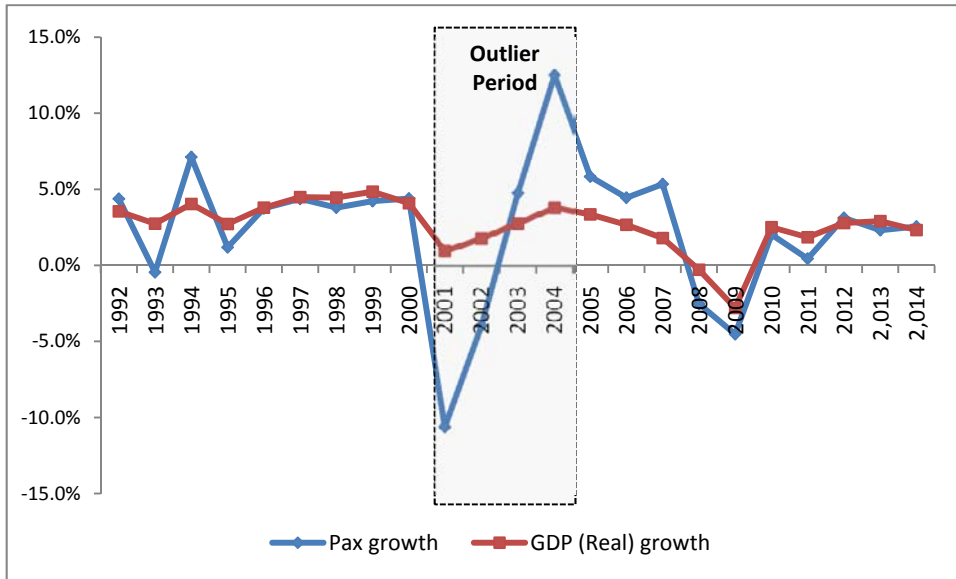
<sup>16</sup> Historical time period from 1991 to 2014 was considered, excluding the outlier period

<sup>17</sup> To isolate the period of abnormal traffic activity, 2001-2004 data was excluded

<sup>18</sup> GDP traffic model is given in appendix 4

advancements in video conferencing technologies, where some travelers utilize these technologies instead of physical travel<sup>19</sup>.

**Figure 5: Historical New York City passenger growth vs. GDP growth. Outlier period has been excluded in developing the correlation**



After the aggregate forecast was done at the New York metropolitan area, passenger traffic was allocated to the individual airports using the airport share model described in the next section.

The GDP forecast is used as the key driver of the traffic forecast for the New York City area. The GDP forecast from the Economist Intelligence Unit (EIU) for the period of 2015-2050 was used. EIU published real GDP forecasts up to the year 2050 for the U.S.

GDP forecast from other sources such as Boeing Current Market Outlook and Congressional Budget Office (CBO) outlook were also considered. The EIU forecast was utilized as it is considered objective<sup>20</sup>; it also provided a more conservative view compared to the other sources. The Real GDP forecast for the period 2015-2050 is given in Table 3.

<sup>19</sup> While surveys and academic literature has suggested use of video conferencing as alternative to some business travel, there is no impact on traffic forecast, or risk factor associated with it from the use of video conferencing technology

<sup>20</sup> EIU forecast was also available till year 2050, whereas other forecasts considered were not available till year 2050

**Table 3: Real GDP forecast used for 2015-2050**

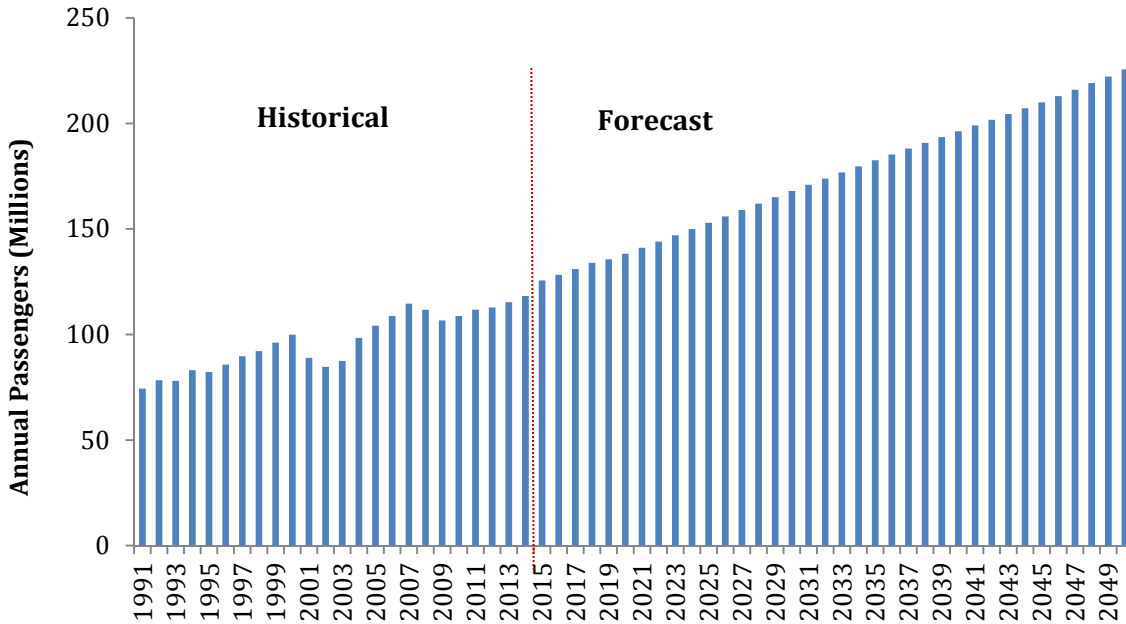
<b>Year</b>	<b>Real GDP Forecast</b>
2015	2.4%
2016	2.4%
2017	2.4%
2018	2.5%
2019	1.4%
2020	2.2%
2021	2.3%
2022	2.3%
2023	2.3%
2024	2.3%
2025	2.2%
2026	2.2%
2027	2.2%
2028	2.1%
2029	2.1%
2030	2.0%
2031	2.0%
2032	1.9%
2033	1.9%
2034	1.8%
2035	1.8%
2036	1.7%
2037	1.7%
2038	1.6%
2039	1.6%
2040	1.6%
2041	1.6%
2042	1.5%
2043	1.5%
2044	1.5%
2045	1.5%
2046	1.6%
2047	1.6%
2048	1.6%
2049	1.6%
2050	1.7%

**Source:**

Economist Intelligence Unit (EIU) Real GDP forecast (2015-2050) – Dec 2015 Release

For the purpose of forecasting total New York City area traffic, six airports in the area are included: JFK, EWR, LGA, HPN, ISP and SWF. For this aggregate New York City area forecast, no capacity constraints are assumed at these airports.

**Figure 6: New York City area<sup>21</sup> annual air passenger forecast (2015-2050)**



The unconstrained forecasted traffic for the New York City area grows from 118 million annual passengers in 2014 to 225 million annual passengers by 2050. The CAGR<sup>22</sup> for the period 2015-2050 is 1.7%.

## 4.2. LaGuardia Traffic Forecast

### *Drivers of forecast*

The LGA traffic forecast, considering the Airport’s constraints (in terms of airfield constraints and any passenger capacity constraints), is developed using the following factors:

- Market share trends for airports in the New York City area – LGA has a declining market share in the New York City area due to faster traffic growth at other airports<sup>23</sup>, and this trend is expected to continue. LGA share of traffic

<sup>21</sup> New York City area airports include JFK, EWR, LGA, HPN, ISP and SWF

<sup>22</sup> Compound annual growth rate

<sup>23</sup> Faster traffic growth at other major airports (JFK and EWR) has been experienced due to higher percentages of connecting as well as international traffic

in the New York area over the last 10 years (2004-2014) is shown in Table 4. LGA traffic share of enplaned passengers in New York declined at the rate of 0.22% per year, and is expected to decline at the slightly lower rate of 0.17% per year for the future period 2015-2050. Over the historical period from 1991-2014, LGA airport passenger traffic has a CAGR of 1.38%. JFK in comparison has a growth rate of 2.65% and EWR has a growth rate of 1.87%<sup>24</sup>. The higher growth at JFK was driven by the available capacity at that airport, as well as by the expansion of JetBlue and Delta at JFK which also resulted in other carriers increasing service. With lifting of EWR slots, the declining trend of EWR<sup>25</sup> is reversed and share is captured primarily from JFK and LGA. Airport shares are given in appendix 5, which gives the extrapolated shares of airports (as an initial step) without considering its ability and constraints to handle passenger demand.

**Table 4: Declining share of LGA airport in New York metropolitan area<sup>26</sup>**

Year	LGA	JFK	EWR
2004	25.0%	39.0%	32.5%
2014	22.8%	44.6%	30.0%

- Airport capacity constraints: Airport capacity constraints are typically defined either in terms of total passenger volumes that the airport can handle or the total number of annual air traffic movements that it can handle. Airport capacity constraints for the six airports considered in the catchment area of New York area were analyzed. Future planned enhancements to the airports or airspace infrastructure are taken into consideration during the forecasting horizon to determine which might be certain enough to include in the forecast. Unconstrained airport demand is compared with the airport capacity (based on airside/ATM and terminal capacity/passenger constraints) to determine any spill-over traffic.
- Any spill-over traffic resulting from individual New York City airports is modeled and either recaptured at other airports with surplus capacity or partially lost, especially for short-haul markets, to alternate modes of transportation such as trains and buses.

<sup>24</sup> Historical PANYNJ airport traffic reports

<sup>25</sup> For determining the post EWR slot restriction environment, data prior to 2008 was used for developing share trends for EWR.

<sup>26</sup> Based on PANYNJ airport traffic reports and US DOT T-100 data

### *Key assumptions*

Airport capacity constraints are assumed airside and landside. For the purpose of forecasting, three types of constraints are considered while developing the airport capacity constraints:

- Airfield constraints: This is driven by the peak-hour operation constraints as peak-hour operations are equivalent to the number of slots
- Gate constraints: Any constraint to the number of operations that results from the number of gates at an airport. For calculating gate constraints, an average of 8 aircraft turns per gate per day are assumed<sup>27</sup>.
- Passenger terminal capacity constraints: This is the total annual passenger capacity of the airport.

Air traffic movement (ATM) capacity is derived as the lesser of the peak-hour operations constraint (airfield constraint) or gate constraints (i.e., number of gates),

For determining the airside capacity of the airports, the assumptions regarding peak-hour operations constraints are given in Table 5. Airspace and airport constraints in the New York City area are reflected in the number of slots and hence hourly operations at each airport. For the purpose of airside capacity constraints, it is assumed that no additional slots will be available from future enhancements to the national airspace system (NextGen<sup>28</sup>).

**Table 5: Peak-hour operations<sup>29</sup> at major New York City airports**

<b>Airport</b>	<b>Peak-hour operations</b>
JFK	81
EWR	81
LGA	71

---

<sup>27</sup> Based on PANYNJ Gate utilization analysis (06-10-11 LGA 34MAP\_Gate\_Use\_Analysis.pptx). Analysis conducted for EWR and JFK using lesser turns for wide-body/long-haul and higher for low cost carriers resulted in average rate of 8 per hour

<sup>28</sup> NextGen is being designed to transform America’s air traffic control system from an aging ground-based system to a satellite-based system. GPS technology will be used to shorten routes, save time and fuel, reduce traffic delays, increase capacity, and permit controllers to monitor and manage aircraft with greater safety margins. While it is assumed that no additional slots will be available, however, NextGen initiatives have provided efficiency benefits at airports ([www.faa.gov/nextgen/works](http://www.faa.gov/nextgen/works))

<sup>29</sup> Regional Plan Association study, 2011

ATM annual capacity is provided below at different snapshots through the forecast period. Annual ATM capacity is calculated based on the number of peak-hour operations as well as the gate constraints.

Future ATM capacity assumptions are based on currently planned infrastructure development efforts<sup>30</sup>, and these have less clarity beyond 2030. ATM capacity for airports is calculated based on the assumptions above, by utilizing the peak hour operation constraints as well as any applicable gate constraints. The calculations for effective ATM capacity are explained for LGA:

ATM Gate capacity calculation:

*Total gate capacity (annual): No of gates x movements per gate x days in year = 74 x 16 x 365 = 432,160*

*Total airfield capacity (annual): Max peak hour operations x effective hours<sup>31</sup> x days in year = 71 x 17 x 365 = 440,555*

*Effective ATM capacity (annual): Minimum (Total gate capacity, Total airfield capacity) = 432,000 (rounded off to 1000 operations)*

**Table 6: Annual ATM capacity at 3 major New York City airports**

<b>Airport</b>	<b>2015 ATM capacity (Gate Capacity)</b>	<b>2015 (Airside Capacity)</b>	<b>2015 Effective ATM Capacity</b>	<b>2050 Increase (% increase from 2015)</b>
JFK <sup>32</sup>	718,320	502,605	503,000	0%
EWR	607,360	502,605	503,000	0%
LGA	432,160	440,555	432,000	0%

For the three smaller airports in the New York City area – HPN, ISP, and SWF – ATM capacity was taken from the Regional Plan Association study published in 2011. We used the mid-point of the reported range for the annual ATM capacity for the three airports. All three are considered to be “reliever” airports to the major airports as

<sup>30</sup> Based on Regional Plan Association study, 2011 and PANYNJ 10-year capital plan summary (2014)

<sup>31</sup> Effective hours are considered from 06:00 – 23:00 hours, for a total of 17 hours. Although slot restrictions at LGA are only in place for 16 hours (till 2200), it has flight operations in 2200-2300 hour window and was considered in the time for effective hours of operation

<sup>32</sup> JFK ATM gate capacity calculation is based on 123 gates (not including remote locations)



they have surplus capacity to accommodate additional flights and passengers<sup>33</sup>. It is assumed that necessary upgrades to the facilities at these airports will be done over time to accommodate the additional demand that will be diverted from the major airports.

**Table 7: Annual ATM capacity at 3 regional airports<sup>34</sup>**

Airport	ATM Capacity limit
HPN	241,500
SWF	189,000
ISP	200,000

Current gate capacity (i.e., the number of gates) for New York City area airports was used to determine the maximum ATM movements that can be supported with full utilization of the gates. For calculating gate capacity, an average of eight aircraft turns per day per gate are assumed as per PANYNJ-issued gate utilization analysis<sup>35</sup>. Sixteen aircraft movements (8 turns) per gate per day multiplied by the number of gates produces the overall gate constraint. This is compared to the peak hour operational constraint, and the lower of these two is the effective constraint for air traffic movements.

For the forecast period, any airport infrastructure projects that would change the gate capacity were taken into account. Future assumed terminal capacity changes at EWR and JFK are listed below:

- EWR Terminal A redevelopment program:
  - ✓ PANYNJ has determined that EWR Terminal A is nearing the end of its service life and is in need of replacement. This project will focus on upgrading the current facilities as well as building new gates.
  - ✓ This program<sup>36</sup> includes construction of a new 33-gate common use terminal (expandable to 45 gates). Phase 1 is estimated to be completed by 2022.
  - ✓ ATM capacity is not affected because the limits on slots/peak-hour operations are the effective airport constraints.

<sup>33</sup> Although HPN,ISP and SWF these have been considered as alternate airports, the shares for these airports throughout the forecast period remain very low (1-2%) and are not expected to act as true substitutes for major airports like JFK, EWR and LGA due to significant infrastructure and runway length constraints

<sup>34</sup> Regional Plan Association study, 2011

<sup>35</sup> Based on PANYNJ-issued gate utilization analysis (06-10-11 LGA 34MAP\_Gate\_Use\_Analysis.pptx)

<sup>36</sup> PANYNJ Capital Plan Summary (2014-2033)

- JFK Terminal 4 redevelopment program<sup>37</sup>: Terminal 4 redevelopment program was initiated in 2010 with Delta Air Lines being the anchor tenant of Terminal 4, and involved in supporting the redevelopment effort.
  - ✓ Phase 1: This phase of development has already been completed and it increased the terminal square footage and added nine new gates.
  - ✓ Phase 2: Phase 2 of JFK Terminal 4 will involve rebuilding gates without impacting capacity. It is assumed that there will be no additional passenger capacity increase with this phase of development.

**Table 8: Number of gates at New York City airports<sup>38</sup>**

Airport	Gates	Description
JFK	123	Additionally 18 remote locations (not included)
EWR	102 107	Current After Terminal A development in 2022
LGA	74	Includes 35 gates for Terminal B

The next step in the forecast development was the determination of annual passenger capacity at each individual airport. This was compiled from multiple sources as given in Table 9. For LGA Terminal B, the design capacity is 17.5 million annual passengers<sup>39</sup>.

<sup>37</sup> <http://www.jfkia.com/news/DLrelease.pdf>

<sup>39</sup> LaGuardia project briefing book. Oct 26, 2012

However, the airport has also historically handled more passengers than its design capacity through changes in terminal layout. The New Terminal B includes flexibility in its design, space usage, and technology that was not present in the Existing Terminal B, which therefore enables future development of passenger traffic. Based on input from other Oliver Wyman study team experts, the team concluded that the actual terminal passenger capacity for Terminal B at LGA airport will be higher (20% above the design capacity) at 21 million annual passengers.

For HPN, SWF and ISP airports, it is assumed that terminal capacity will increase in the future to accommodate the passenger demand growth at these airports. The passenger capacity assumptions for the New York City area are summarized in the table 9.

**Table 9: Annual passenger capacity at New York City airports**

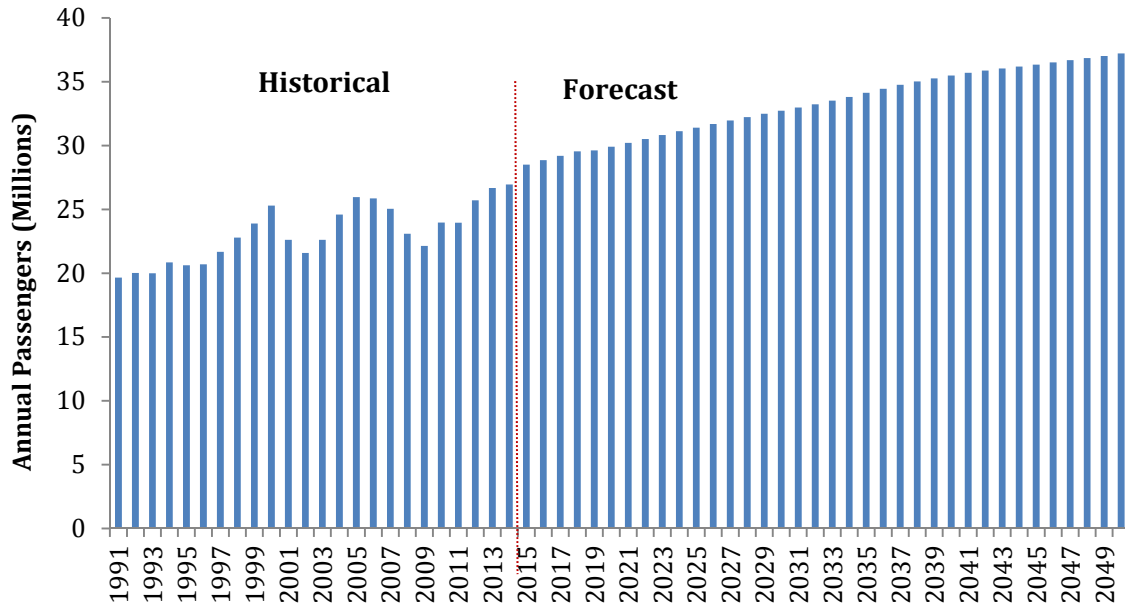
<b>Airport</b>	<b>Annual Passenger Capacity</b>	<b>Source/Comments</b>
JFK	72 million	Source: FAA Regional Study (2007)
EWR	51 million	Source: FAA Regional study summary (2007)
LGA (Terminal B)	21 million	Passenger capacity is taken 20% above the design capacity of 17.5 MAP. This passenger capacity number is after re-development of Terminal B
HPN, SWF & ISP	Future upgrade in capacity to accommodate passenger demand	HPN/ISP both handled over 2 million annual passengers and SWF has handled around 1 million annual passengers in the past. While current facilities may be inadequate for future growth but as reliever airports, it is assumed that these will be upgraded to handle growth

It is assumed that the perimeter rule for LGA is in effect throughout the forecast period. Additionally, No FIS facilities are envisioned at LGA, that would allow international flights from airports other than the ones that are pre-cleared for customs and immigration.

*LaGuardia Airport Forecast Results*

Taking all of the above assumptions and constraints into account, the LGA traffic forecast is provided in figure 7.

**Figure 7: LGA traffic forecast (2015-2050)**



**Table 10: LGA Traffic Forecast Summary**

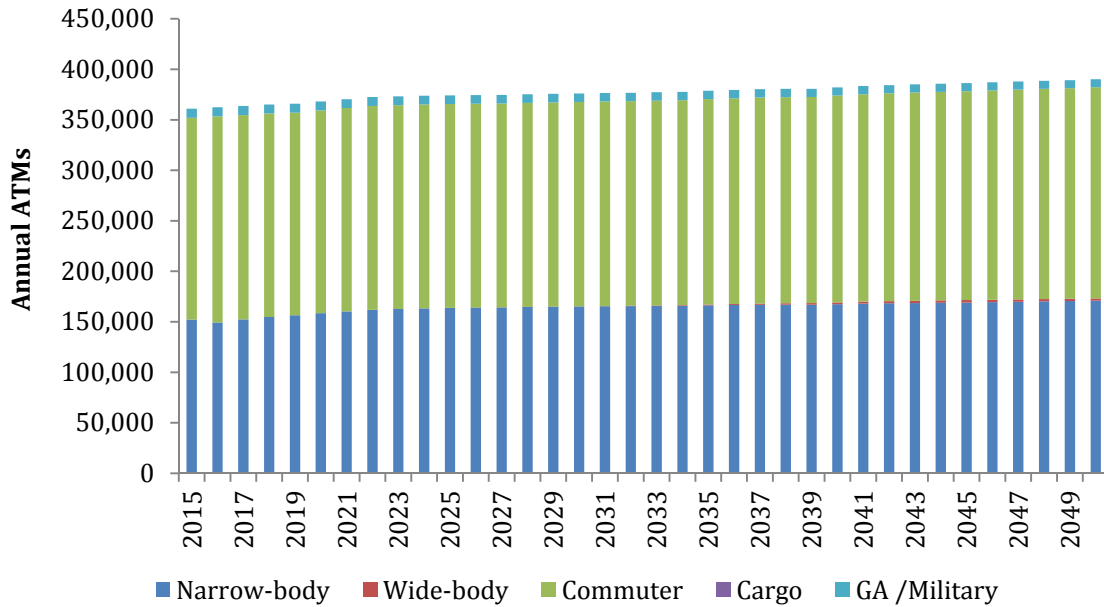
	2015	2020	2030	2040	2050
LGA Traffic (millions)	28.5	29.9	32.7	35.5	37.2

Total passengers at LGA are forecast to grow from 28.5 million in 2015 to 37.2 million in 2050. The CAGR for the period 2015-2050 for passengers is 0.76%. Historically, the growth rate at LGA over the period 1991-2014 has been 1.38%, and as the airport has become more and more constrained the growth rate has slowed down<sup>40</sup>. Over the forecasting period, LGA airport is dominated by domestic and local O&D traffic – the percentage of international and connecting passengers remain low.

<sup>40</sup> Due to higher extrapolated growth trend at other major airports (JFK and EWR) these reach capacity before 2050, and LGA will have expanded passenger capacity available in future. Some part of the demand from other airports will be captured by LGA as it will be able to accommodate more demand in future (in comparison to historical airport share trends)

ATM forecast

**Figure 8: LGA ATM Forecast (2015-2050)**



**Table 11: LGA ATM Forecast Summary**

	2015	2020	2030	2040	2050
LGA ATMs (000)	361	368	376	382	390

The growth rate (CAGR) for the forecast period in air traffic movements is 0.22% compared to 0.76% for the passenger growth. Slot constraints severely limit the ability to add flights, so passenger growth is achieved by increasing aircraft size. The additional flights come either from more efficient use of peak-hour slots (based on use-or-lose rule) or filling in off-peak hours when the airport is not operating at full capacity. Forecasted annual ATMs in 2050 are at 390,000 and lower than the airport capacity.

General aviation and military aviation activity is projected to decline at LGA. General aviation is composed primarily of corporate jets, medical evacuation helicopters, and airplanes owned by individuals for business and personal use. General aviation activity is 2.5% of LGA ATMs at the start of the period in 2015 and

declines to 2% by year 2050. This only has very small impact on overall ATM forecast, and none on the traffic forecast.

*Effect of US Airways and American Airlines merger and slot divesture<sup>41</sup>*

The slot divesture from US Airways and American Airlines did not have any material impact on the overall number of LGA departures or capacity. Southwest Airlines started utilizing its divested slots starting from May 2014, and Virgin America started LGA flights from Nov 2014. Average aircraft size that these airlines before and after slot divesture is given in table below.

**Table 12: Average aircraft size of airlines before and after slot-divesture**

<b>Airline</b>	<b>Before slot-divesture<sup>42</sup></b>	<b>After slot-divesture<sup>43</sup></b>
American and US Airways (including commuter aircraft)	95.3	95.5
Southwest Airlines	145	145
Virgin America	-	127

The slot divestures to Southwest and Virgin America (based on the average aircraft sizes before and after the slot-divesture) the annual increase in capacity was 350,000 seats, which represents 1% of overall LGA seat capacity. This capacity increase would translate to around 280,000 additional annual passengers<sup>44</sup>, representing 1% of overall LGA traffic increase.

The co-location of American Airlines operations does impact Terminal B traffic projections, which is discussed in the next section.

<sup>41</sup> As part of the settlements with U.S. Department of Justice, US Airways and American Airlines gave up 34 slots at LGA (10 of these slots were already leased by American Airlines to Southwest Airlines). These slots, as part of the sale process, were awarded to Southwest Airlines and Virgin America. Southwest Airlines received 12 new slots in addition to the 10 slots leased from American. These 12 slots added 6 more daily departures for Southwest Airlines. Prior to additional slots, Southwest Airlines and its then subsidiary AirTran operated 27 daily departures from LGA, and the additional slots increased their combined daily departures to 33. Virgin America also received 12 slots, allowing it to operate six daily departures. Virgin America had been operating 4 daily departures from LGA since the end of 2014.

<sup>42</sup> Based on OAG schedule data, full year 2013

<sup>43</sup> Based on OAG schedule data, full year 2015

<sup>44</sup> Based on 78.5% average load factor for LGA, based on US DOT T-100 segment data (2014)

### **4.3. Terminal B Traffic Forecast**

The Terminal B traffic forecast is developed using the total LGA forecast and segmenting the traffic by terminal. The current share of Terminal B traffic vs. LGA traffic is used to determine the segmented baseline forecast for Terminal B. Any impending capacity changes that have been published by airlines through future schedules<sup>45</sup> are taken into account in the forecast. Legacy carriers generally publish their schedules 12 months in advance and make their seats available for sale for the same time period. However, some low cost carrier schedules are published in shorter timeframes. Slot divestitures resulting from the US Airways/ American Airlines merger are taken into account to predict the traffic changes.

#### *Key assumptions*

Construction period and impact on traffic:

The construction phase at Terminal B will begin in 2016 and end in 2022. The construction will not have any adverse impact on the airline traffic.

American Airlines co-location in Terminal B:

After the American Airlines and US Airways merger, American Airlines now has operations in both Terminal B and C (Terminal C is where US Airways used to operate, and is now flying as American Airlines after merger). It is expected that after Terminal B construction is over, American Airlines Terminal C operations will move to Terminal B. To accommodate American Airlines operations in Terminal B, Spirit Airlines, Virgin America and Frontier airlines will vacate Terminal B. The transition is assumed to be completed at the start of 2023, after the Terminal B construction is finished in 2022.

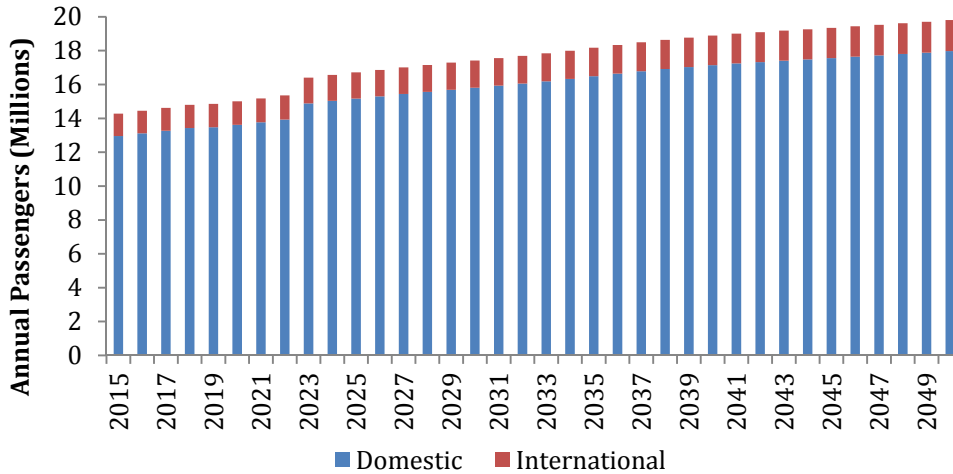
#### *Terminal B forecast*

We forecast total Terminal B passengers to reach 19.8 million annual passengers in 2050. The CAGR for 2015-2050 is forecast as 0.94%.

---

<sup>45</sup> OAG schedule data (Feb 2016 to Dec 2016)

**Figure 9: Terminal B Passenger forecast (2015-2050).**



**Table 13: Terminal B Traffic Forecast Summary**

	2015	2020	2030	2040	2050
Terminal B Traffic (millions)	14.3	15.0	17.4	18.9	19.8

*Effect of American Airlines co-location on Terminal B traffic*

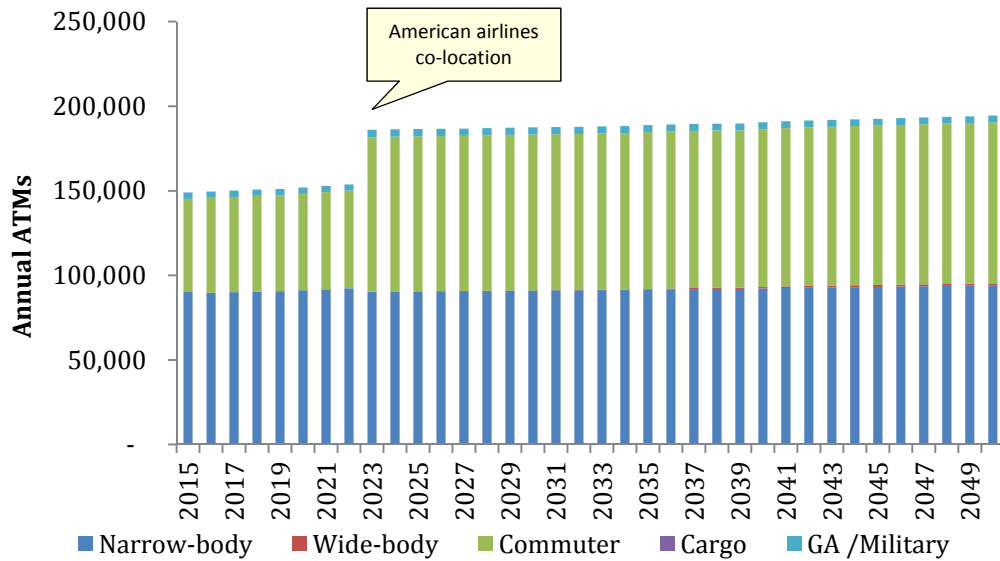
After the construction phase is over, in 2023 American Airlines is assumed to co-locate all of its operations in Terminal B. At the same time Spirit, Virgin America, and Frontier would vacate Terminal B. Overall the net impact of this relocation will be an increase in air traffic movements by 21% (mainly commuter aircraft being added to Terminal B) and a corresponding net increase in passengers of 6.9% (increase of around one million passengers).

*Terminal B ATM forecast*

Total air traffic movements at Terminal B grow at a slower pace than passenger growth. The CAGR for ATM growth at Terminal B is 0.78% from 2015-2050 and almost all of the growth in ATM's is as a result of American Airline's co-location to Terminal B as seen in Figure 10. These new ATM's (as a result of co-location) are with smaller sized aircraft than the aircraft they are replacing. Overall the average aircraft size (seats per departure) throughout Terminal B increases by a CAGR of 0.12% over the period 2015-2050.



**Figure 10: Terminal B ATM forecast (2015-2050)**



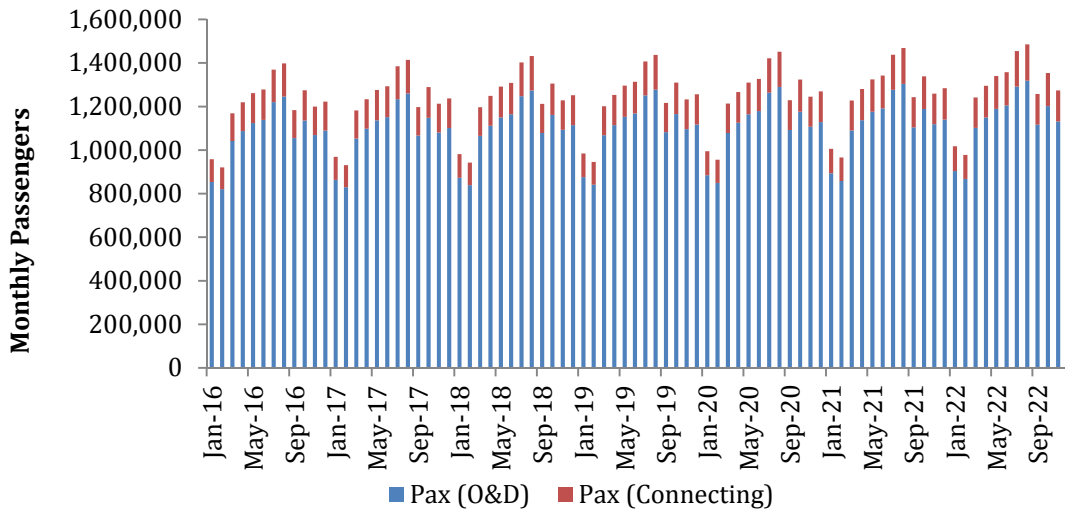
**Table 14: Terminal B ATM Forecast Summary**

	2015	2020	2030	2040	2050
Terminal B ATMs (000)	149	152	187	190	195

*Monthly traffic and ATM forecast*

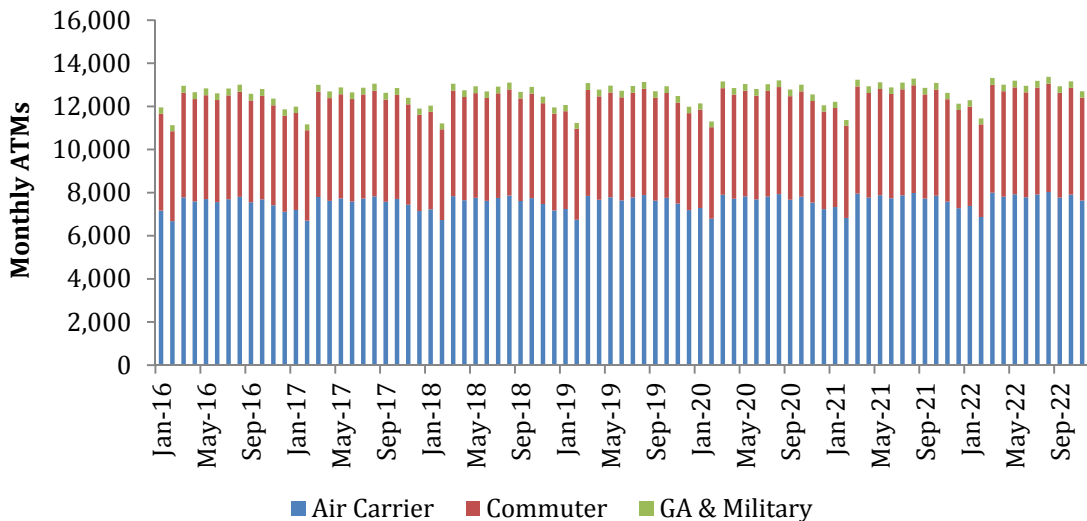
The monthly traffic forecast during the construction period (2016-2022) was developed using seasonality indices for traffic, aircraft movements, and cargo. Historical data was analysed to determine how each month is seasonally high or low relative to an average month in year and these indices were used to split the traffic from annual aggregate to monthly levels. As shown in Figures 11 and 12 below, passenger traffic is more seasonal than ATMs, with August being the peak month for passenger traffic and January and February being the lowest traffic months. August is 16% higher than the average month in terms of passenger traffic and January and February are 20% and 23% lower, respectively.

**Figure 11: Monthly passenger forecast for Terminal B for the period 2016-2022**



For aircraft movements, August is the highest peak month and the winter months (December through February) are the lowest in terms of aircraft operations. August is 4% higher than the average months in terms of aircraft operations and December, January and February are 5%, 4% and 10% lower than the average month. For 2016, the highest average projected seat factor<sup>46</sup> month for Terminal B is August with 91% seat factor, and lowest months are January and February with 73.9% and 77.8% seat factor respectively.

**Figure 12: Monthly ATM forecast for Terminal B**



<sup>46</sup> Seat factor defined as total passengers/total seats

## 5. Aircraft Type Forecast for Terminal B

This is a forecast of aircraft movements by aircraft type, and is provided through the construction phase for Terminal B (2016-2022). This forecast was developed using the current fleet mix at the terminal, while taking into account future fleet plans and anticipated changes.

Over the past several years, U.S. airlines have been increasing the amount of capacity in their fleets through a combination of larger planes and adding more seats on each aircraft. In regional aircraft, the domestic fleet is shifting from ~50-seat aircraft to aircraft with ~75 – 90 seats. Mainline narrow-body fleets are shifting from ~120-135 seat aircraft (737-700/A319) to ~150-175 seat aircraft (737-800/A320). The trend hastened during the period of high fuel costs around 2008, and has continued as airlines continue to pursue reduced unit costs.

As these larger aircraft have come into airline fleets, they have been scheduled in increasing numbers at capacity-constrained airports such as LGA. Since 2008, the average number of seats per departure at LGA has increased by 10.9% from 92 to 102<sup>47</sup>. The order books and seating configuration plans of LGA's airlines show a continuation of the “up-gauging” trend during the forecast period.

### *Key assumptions*

For the aircraft type forecast for the construction period (2016-2022), the following assumptions regarding airline fleets have been made for the airlines operating at LGA, based on known or anticipated changes to their plans:

- American Airlines
  - ✓ The US Airways/American Airlines merger will have an impact on the size of aircraft operating in Terminal B, and this will be resulting from the co-location of American Airlines in terminal B. Co-location will result in bringing more commuter aircraft from terminal C, and will reduce the overall average size of aircraft.
  - ✓ The 135-seat MD 80 fleet is being retired and replacing them with the 150-seat 737-800 and 181-seat A321 aircraft through 2018.
  - ✓ Regional operator Envoy will start retiring ERJ145s (44 seats) in 2016<sup>48</sup>, and it has outstanding orders for ERJ175s (~75 seats) as replacements.
- Southwest
  - ✓ Currently operates almost all of its flights with the 145-seat 737-700.

---

<sup>47</sup> Source: SABRE Market Intelligence for calendar years 2008 through 2015

<sup>48</sup> <http://aviationblog.dallasnews.com/2015/08/envoy-air-to-keep-its-smallest-regional-jets-a-little-longer.html/>

- ✓ Fleet of 175-seat 737-800s continues to grow as entire order book is for this variant.
  - ✓ 737-800 operations at LGA projected to grow as its numbers in the fleet increase.<sup>49</sup>
- United
  - ✓ Introducing 213-seat 757-300 on select Denver flights in March 2016. Gradual shift from 737-700 to 737-800 aircraft
- JetBlue
  - ✓ JetBlue has orders for A321 aircraft but it intends to deploy most A321 aircraft on its Mint service mostly on transcontinental routes. However, LGA will likely see some standard configuration A321s in the future.
- Spirit
  - ✓ Spirit Airlines will start retiring its A319 aircraft starting in 2016<sup>50</sup>. Spirit has outstanding orders for A320 and A321 aircraft. The airline is expected to evolve its LGA schedule toward A321s.
- Air Canada
  - ✓ Transition to larger regional aircraft at LGA is complete
  - ✓ Air Canada intends to replace its A319/A320 fleet with the outstanding fleet order for B737 Max. This fleet replacement will start in 2017 and end in 2021. The operation of A319 and A320 by Air Canada at LGA is fairly minimal and replacement to B737 is expected to be towards the end of the delivery cycle in 2021, and will ultimately increase aircraft size at LGA.
  - ✓ Limited scheduled operations by 767 aircraft is expected to continue, primarily during the peak summer season.
- Virgin America
  - ✓ Reliance on A319 and A320 at LGA expected to continue
- Frontier
  - Frontier currently operates A319/A320 at LGA. With the addition of A321s in its fleet<sup>51</sup> (starting Q4, 2015), LGA will start seeing some up-gauging to A321 aircraft.

Overall the use of commuter/regional aircraft will still continue at LGA, however, the smaller commuter aircraft will be replaced in favor of larger regional aircraft with an overall result of increasing aircraft gauge. During 2015-2022, CAGR in aircraft size (seats/departure) for commuter/regional aircraft is 1.4%, compared to 0.4% for mainline aircraft. Overall, for all aircraft is at 0.5%.

---

<sup>49</sup> Based on carrier comments to LGP

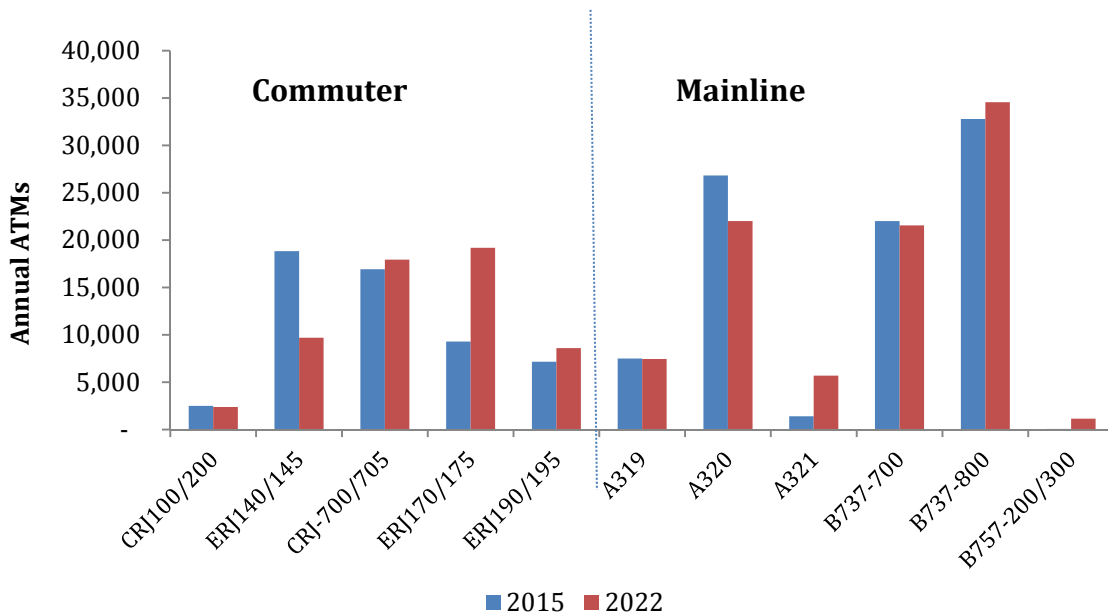
<sup>50</sup> Spirit airlines investor update. Oct 27, 2015 and aircraft orders data

<sup>51</sup> <http://www.airbus.com/presscentre/pressreleases/press-release-detail/detail/frontier-airlines-takes-delivery-of-its-first-a321/>

The New Terminal B design includes gate positions for Airline Design Group (ADG) IV aircraft, including the 757s and 767s that currently operate at LGA. The forecast continues to include limited wide-body operations and ADG IV sized aircraft in later years. These wide-body operations are the result of the trend towards increasing average aircraft size, as well as increases in spill-over traffic from other airports. Unlike at other airports, wide-body aircraft would not be used for long-haul international service at Terminal B because of the perimeter rule discussed previously and the fact that LGA does not have any federal inspection service (FIS) facilities which means that passengers must arrive from pre-clearance stations currently located only in certain airports in Canada and the Caribbean. Other pre-cleared airports such as Dublin, Ireland and Abu Dhabi, or proposed new facilities throughout Europe are significantly outside the perimeter rule range and could not be currently be served from LGA.

Figure 13 below illustrates the following significant projected changes to the fleet mix at Terminal B.

**Figure 13: Aircraft Type ATM forecast for Terminal B**



From 2015 to 2022, the average number of seats per departure in Terminal B is forecasted to increase from 118 to 122, or 3.3%.

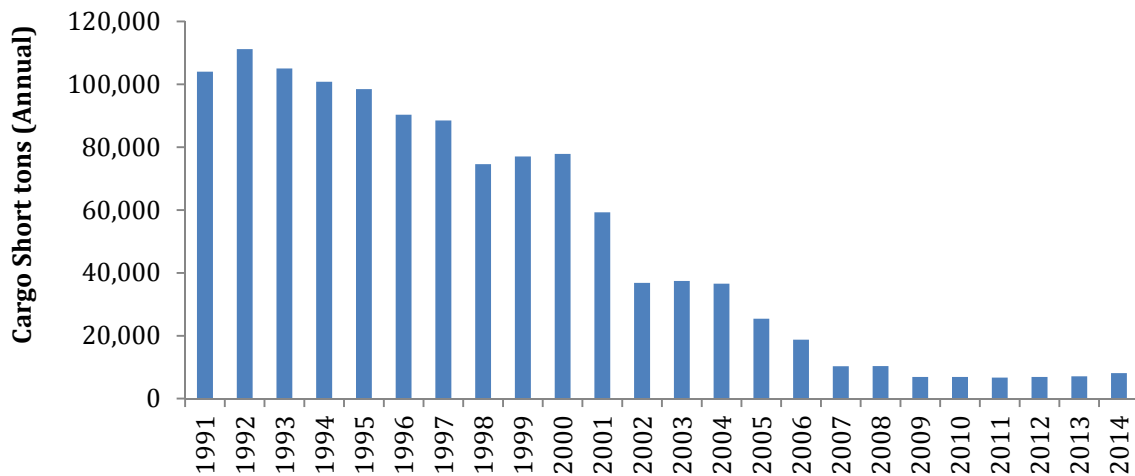
**Table 15: Forecasted Fleet Upgauging**

<b>Average Seats Per Scheduled Departure</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Mainline	151.1	152.5	153.7	154.1	154.2	154.5	154.8	154.8
Commuter	64.1	67.8	70.2	70.2	70.2	70.2	70.2	70.2
Total	118.3	119.9	121.6	121.8	121.9	122.1	122.3	122.3

## 6. Cargo Forecast

LGA had a limited number of cargo/freighter aircraft movements during the 1990's, and there have been no freighter operations at the airport for more than a decade. Cargo was mainly carried as belly cargo and the tonnage mostly depended on the size of the aircraft since wide-body aircraft were able to transport more cargo. However, the number of wide-body aircraft operations at LGA dropped significantly after the 1990s and cargo tonnage also dropped substantially. This trend is expected to continue with LGA having no freighter operations and cargo tonnage resulting only from belly cargo.

**Figure 14: Historical cargo tonnage<sup>52</sup> at LGA showing a significantly declining trend**



### *Key assumptions*

In general, economic activity in the region is the predictor of cargo volume; however, due to the presence of airports such as JFK and EWR which serve the cargo needs of the region and New York State's desire to grow SWF as a cargo airport<sup>53</sup>, LGA cargo volume is driven only by spare belly cargo capacity and this is directly correlated with aircraft movements and the associated cargo space.

<sup>52</sup> Short ton equals 2,000 lbs or 907.18 Kg

<sup>53</sup> <https://www.governor.ny.gov/news/video-photos-governor-cuomo-unveils-vision-transformative-redesign-laguardia-airport>

Cargo tonnage per aircraft operation for the most recent time period – which assumes a steady state – is utilized to project future cargo tonnage. Cargo tonnage per operation is derived by aircraft type (narrow-body, wide-body, and commuter).

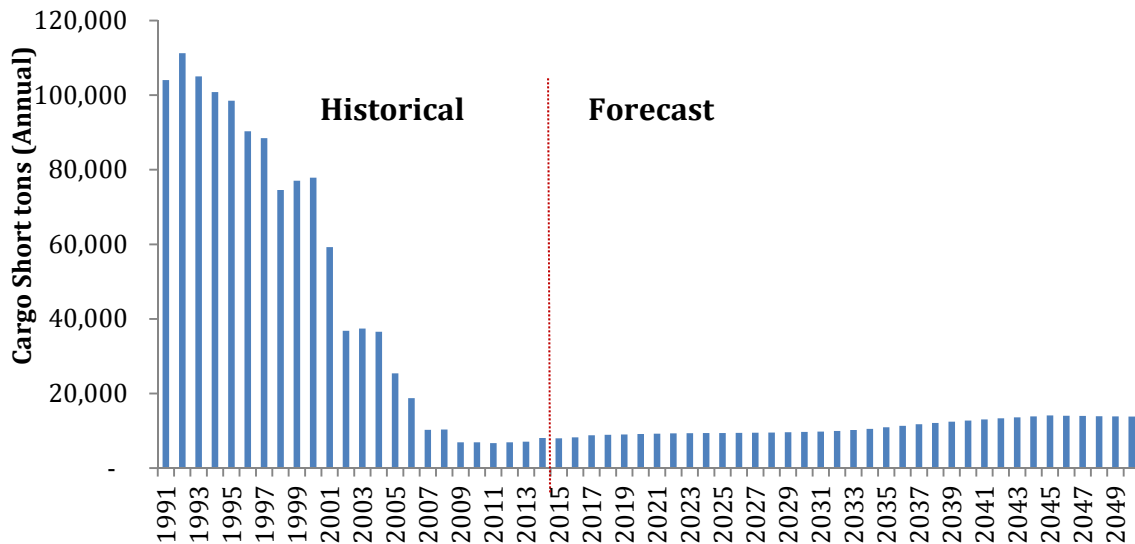
Regression models were developed based on historical data that determined the cargo tonnage per aircraft movement by aircraft type.

**Table 16: Cargo rates derived by aircraft type using historical DOT data**

<b>Cargo lbs per movement</b>	<b>Narrow-body</b>	<b>Wide-body</b>	<b>Commuter</b>
Outbound	106.7	3,603.1	5.6
Inbound	111.1	3,466.4	4.4

*Cargo Forecast*

**Figure 15: LGA cargo forecast for 2015-2050**



Cargo tonnage at LGA is expected to increase at a growth rate (CAGR) of 1.58% for the forecast period (2015-2050), while the CAGR in Terminal B is 2.1%. This rate is higher than the passenger growth rate and is the result of the increase in average aircraft size as well as the initiation of some wide-body aircraft operations in later years. While the cargo growth rate is higher than passenger growth rate, the total cargo tonnage during the forecast period is still far below the historical cargo



tonnage at LGA. Towards the end of the forecast period as the GDP growth slows and airport is reaching passenger capacity, cargo volumes decrease slightly due to slight drop in the number of wide-body aircraft operations.

## 7. Peak-Hour Forecast

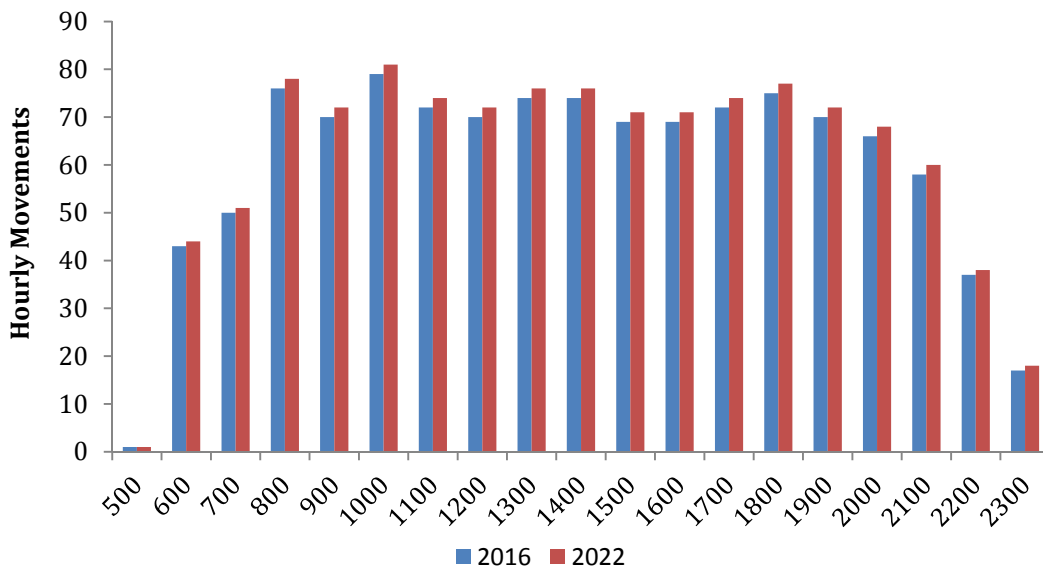
The 10-year forecast for LGA for peak-hour ATM's (arrivals and departures) was developed using the following assumptions:

### *Assumptions*

- For the purpose of the peak-hour forecast, the peak month of August is chosen and Thursday is chosen as the peak-operation day. The peak-hour forecast is for an average Thursday (peak-day) in the peak month of August.
- The peak-hour forecast is unconstrained. This forecast provides the original hourly demand without the peak-hour constraint and any subsequent spill.
- It is assumed that the constrained desired slot times will be shifted to adjacent available slots without any permanent loss in demand.

**Figure 16: Peak-hour ATM forecast (Arrivals and Departures) for LGA**

*Peak-Hour Forecast*



Throughout most of the hours in the day (0800-2100 hours), the operations at LGA are consistently high without periods of low activity, and the peaks in the day are at 1000 and at 1800 hrs.

## **8. Forecast Comparison**

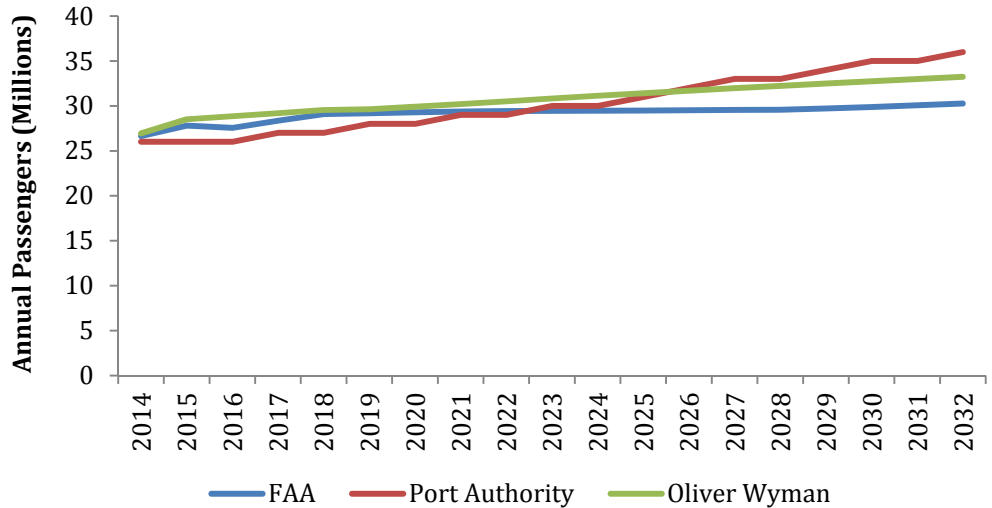
### **8.1 Comparison to PANYNJ and FAA forecasts**

In this section, the Oliver Wyman traffic forecast for LGA is compared with PANYNJ long-range forecast and FAA Terminal Area Forecast (TAF).

- PANYNJ long-range forecast issued April 2012 and forecast is until 2032. TAF issued January 2016 and is until 2040.
- The PANYNJ forecast and TAF are both developed independently of the ability of the airport or the air traffic control system to accommodate predicted passenger demand. These forecasts do not reflect or incorporate airfield capacity limitations, regulatory limits on hourly operations, conflicts with other airports, or other operational considerations. However, if the airport historically functions under constrained conditions, the forecast may reflect those constraints indirectly since they are present in historical data. In the Oliver Wyman forecasts, constraints were modelled to produce realistic future traffic estimates, as well as to understand the sensitivity of the constraints on the forecasts.
- The TAF are presented on a U.S. Government fiscal year basis (October through September), as opposed to a calendar year basis. Over the longer term, the variations resulting from fiscal year vs. calendar year differences are minimal.

The following forecast comparison will be done through 2032 since that is the last year where all three forecast results are available. The forecast comparison results are shown in Figure 17, with PANYNJ forecast the highest and TAF the lowest.

**Figure 17: Forecast comparison for LGA for 2014-2032**



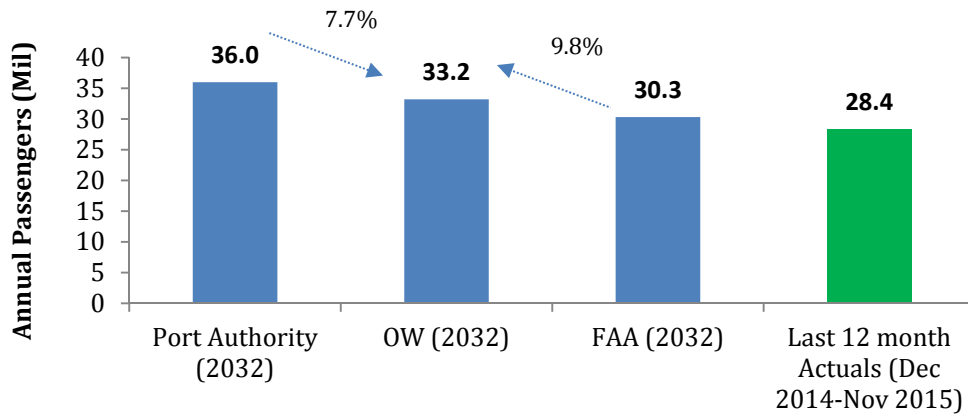
Comparison between Oliver Wyman forecast, FAA forecast and PANYNJ forecasts are given in Table 17 for snapshots throughout the forecasting period.

**Table 17: LGA forecast comparison between Oliver Wyman, FAA and PANYNJ forecast (millions of passengers)**

Year	Oliver Wyman	TAF	PANYNJ
2020	29.9	29.3	28.0
2032	33.2	30.3	36.0
2040	35.5	32.0	Not available

For 2032, Oliver Wyman forecast is 7.7% lower than the PANYNJ forecast and is 9.8% higher than the TAF. The PANYNJ forecast (2032) for LGA is 20.9% higher than the TAF.

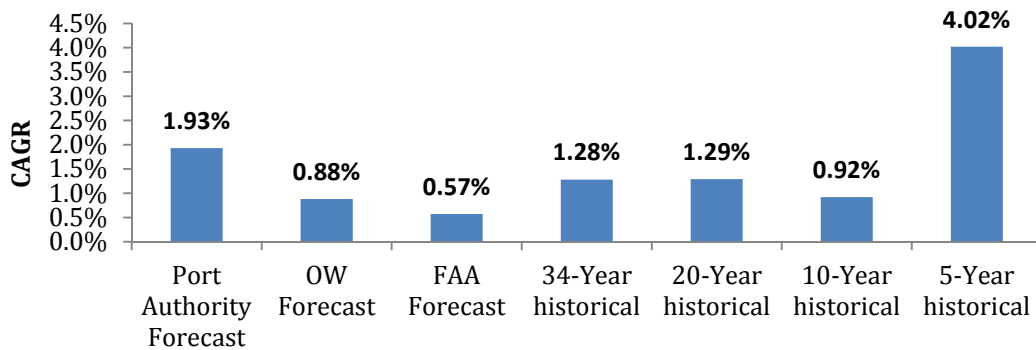
**Figure 18: LGA 2032 forecast comparison**



The PANYNJ forecast (released April 2012) estimated traffic for 2011-2014. These estimates were lower than the actual traffic during those years, and the 2014 estimate was 3.5% lower than actual LGA traffic<sup>54</sup>. Similarly in January 2016, the TAF estimated 2014 traffic, which was lower than the actual 2014 traffic by 1%. The Oliver Wyman forecast included 2011 to 2014 actual results, and also included the year-to-date<sup>55</sup> growth in 2015.

The compound annual growth rate (CAGR) was calculated for the forecast period of 2015-2040 for the three forecasts<sup>56</sup> and is provided in the figure below along with the historical CAGR. The primary reason for higher CAGR of the PANYNJ forecast is the utilization of the higher economic growth estimates, as explained below.

**Figure 19: Growth rate comparison, LGA traffic forecast**



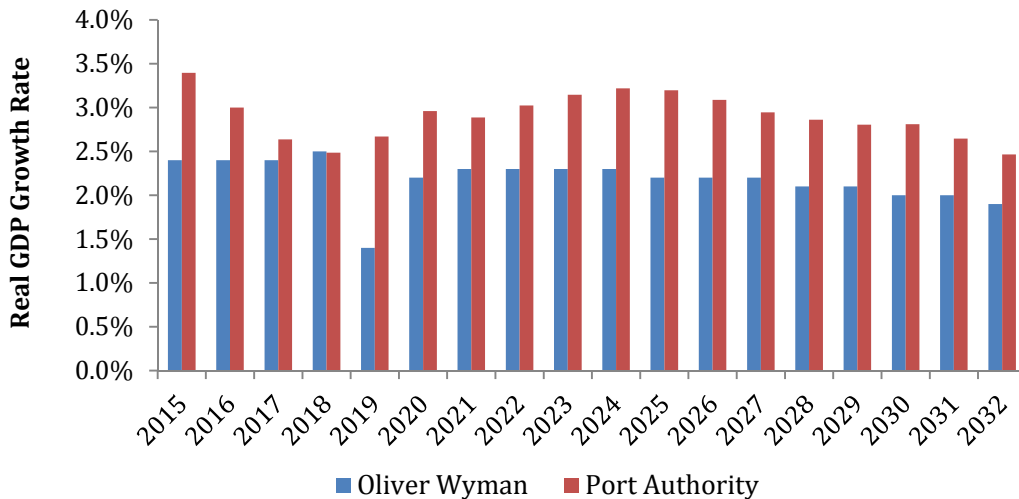
<sup>54</sup> PANYNJ LGA forecast was 25 million pax for 2011-2013 and 26 million pax for 2014. Actual LGA traffic was 23.9 million, 25.7 million, 26.7 million and 26.9 million pax for 2011-2014.

<sup>55</sup> Jan-Nov 2015 statistics, based on latest data available at the time of forecast generation

<sup>56</sup> PANYNJ forecast CAGR was calculated for 2015-2032

Although the FAA does not make available its underlying assumptions and methodologies for specific airport forecasts, the PANYNJ does provide additional information about its forecast. One of the biggest drivers of the divergence between the PANYNJ traffic forecast and the Oliver Wyman forecast is the different GDP growth forecast underlying each, as shown in Figure 20. The GDP growth projection used by the PANYNJ in 2011 (sourced from Global IHS insights) is higher than the GDP growth forecast that Oliver Wyman used (based on the real GDP forecast of Economics Intelligence Unit). The average real GDP growth rate utilized by Oliver Wyman for 2015-2032 is 2.2%, whereas the average rate over this period used by the PANYNJ forecast is 2.9%.

**Figure 20: Real GDP forecast comparison for Oliver Wyman and PANYNJ forecasts**



As a sensitivity test, the GDP forecast used in the Oliver Wyman traffic forecast model was switched to the one used by the PANYNJ, and the result was a 2032 LGA traffic forecast of 37.5 million passengers with a 2015-2032 CAGR of 1.61% compared to CAGR of the PANYNJ forecast which was 1.93%. Therefore, the Oliver Wyman forecast produces forecast with a slightly lower growth rate when using the same GDP growth projections.

## 8.2 Comparison to prior traffic forecast produced during RFP phase

In this section, the current traffic forecast for LGA is compared with the prior forecast produced by Oliver Wyman during the RFP phase and the drivers for any differences are outlined. Figure 21 compares the prior forecast with the current forecast, and the two forecasts tie very closely together till year 2030 with variance after that period.

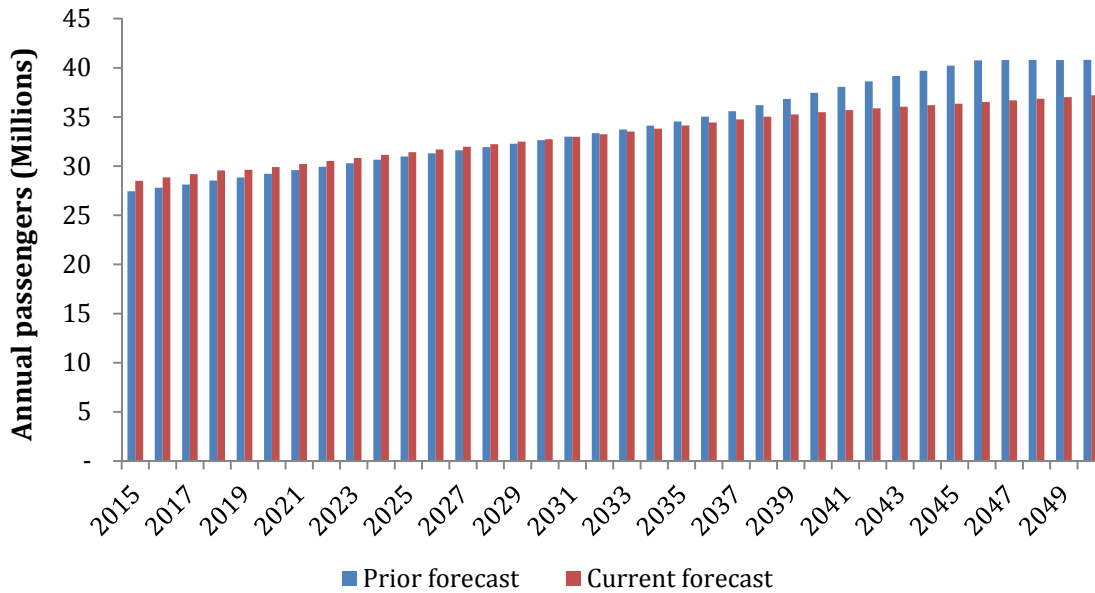
The current forecast includes updated actual traffic (Jan 2015 – Nov 2015) and airline schedule data (Feb 2016 – Dec 2016). In addition, the following assumptions were changed between the RFP and Preferred Proposer phases:

**Table 18: Forecast Assumption Comparison**

<b>Assumption</b>	<b>Prior forecast (RFP phase)</b>	<b>Current forecast (Post-bid phase)</b>
American Airlines Co-Location	No co-location assumed	American co-locates in 2023 (following construction completion) with Spirit, Virgin America, and Frontier vacating Terminal B at that time
NextGen Capacity Improvements	7 hourly slots added in 2019 and 4 hourly slots added in 2031	No additional slots available throughout forecast period
Commuter Rule	Commuter slot rule in effect <sup>57</sup>	Commuter slot rule limitations removed
EWR slot restrictions	Slot restrictions were in place for all major airports in NYC	Slot restrictions to be lifted for EWR in Q4, 2016
EIU GDP Growth Forecast	Nov 2013 GDP forecast	Dec 2015 GDP forecast

<sup>57</sup> Upto 14 slots to be reserved for commuter aircraft

**Figure 21: LGA traffic forecast comparison between prior forecast (during RFP phase) and current forecast**



The following table summarizes the variances between the prior and current forecast at 10-year intervals during the forecast period.

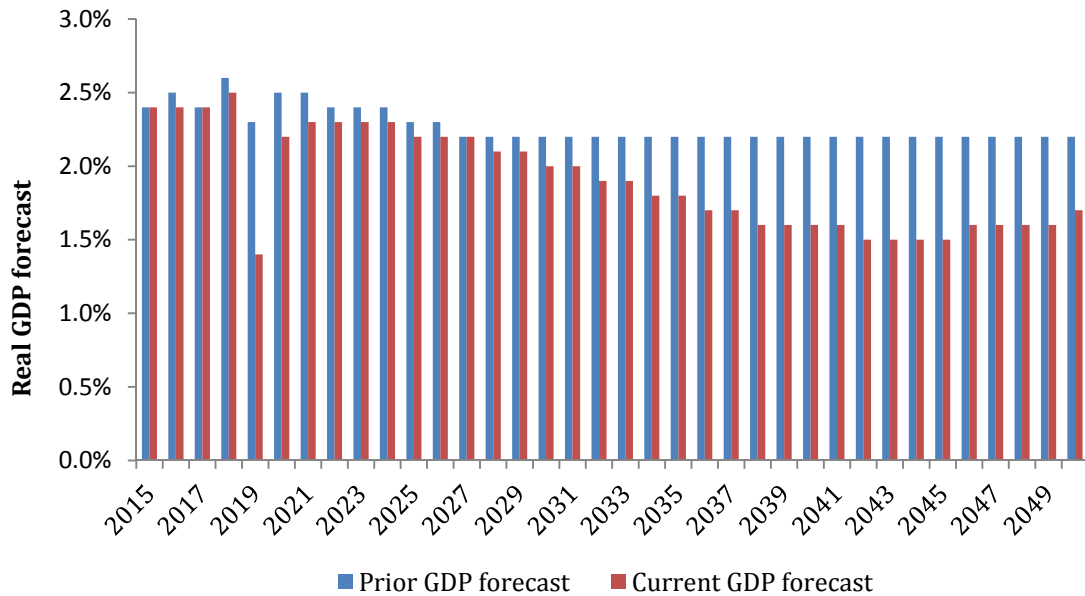
**Table 19: Forecast comparison at 10-year intervals (prior and current)**

Forecast Year	Prior forecast (RFP phase) Million passengers	Current forecast (Post-bid phase) Million passengers	Variance (Current vs. Prior)
2020	29.2	29.9	2.4%
2030	32.6	32.7	0.3%
2040	37.4	35.5	(5.3%)
2050	40.8	37.2	(8.8%)

Current LGA traffic forecast ties closely with the prior forecast in the initial years and variance starts increasing from 2030 onwards due to difference in the GDP forecast, lifting of EWR slot restrictions and impact of more constrained airspace due to no relief from NextGen.



**Figure 22: GDP forecast comparison between prior and current**



The prior GDP forecast was based on Economist Intelligence Unit (EIU) forecast from 2013 to 2030. The real GDP rate of 2.2% was taken after 2030 in line with the last 4 year GDP forecast (2027-2030). The new GDP forecast (released Dec 2015) was based on Economist Intelligence Unit (EIU) forecast that was available from 2015 to 2050.

The average GDP growth rate for the period 2015-2050 was 2.3% in the prior GDP forecast and is 1.9% in the current forecast. The difference in GDP forecast is the underlying assumption change that has caused variance in the current forecast vs. the prior forecast.

Cargo forecast (for year 2050) during RFP phase was 15,900 short tons and changes to 13,800 short tons in post-bid phase, driven mainly by lesser aircraft movements and associated belly cargo capacity.

## **Appendices**

Appendix 1

LaGuardia Airport Traffic Forecast

Year or Month Ending	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025A	2026A	2027A	2028A	2029A	2030A	2031A
<b>Commercial passengers</b>																		
<b>Total Pax</b>	26,954,588	28,509,562	28,860,449	29,193,118	29,552,595	29,626,343	29,906,223	30,212,610	30,518,975	30,825,101	31,131,025	31,408,771	31,686,791	31,968,145	32,225,967	32,489,478	32,730,440	32,985,109
<i>growth</i>	5.8%	5.8%	1.2%	1.2%	1.2%	0.2%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Enplaned Pax</b>	13,514,810	14,294,461	14,470,393	14,637,190	14,817,429	14,854,406	14,994,735	15,148,355	15,301,964	15,455,453	15,608,841	15,748,101	15,887,498	16,028,566	16,167,836	16,289,958	16,410,774	16,538,463
<i>growth</i>	1.0%	5.8%	1.2%	1.2%	1.2%	0.2%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Enplaned Pax O/D</b>	12,066,799	12,750,867	12,896,768	13,035,238	13,186,262	13,210,362	13,326,884	13,455,595	13,584,618	13,713,814	13,843,165	13,960,209	14,077,622	14,196,896	14,306,127	14,418,329	14,520,979	14,630,466
<i>growth</i>	0.9%	5.7%	1.1%	1.1%	1.2%	0.2%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Enplaned Pax Connecting</b>	1,448,011	1,543,593	1,573,625	1,601,953	1,631,167	1,644,044	1,667,852	1,692,760	1,717,346	1,741,640	1,765,676	1,787,891	1,809,876	1,831,671	1,851,709	1,871,629	1,889,795	1,907,997
<i>growth</i>	1.9%	6.6%	1.9%	1.8%	1.8%	0.8%	1.4%	1.5%	1.4%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%	1.0%
<b>Arriving Pax</b>	13,439,778	14,215,101	14,390,056	14,555,928	14,735,166	14,771,937	14,911,488	15,064,255	15,217,011	15,369,648	15,522,184	15,660,670	15,799,294	15,939,579	16,068,131	16,199,520	16,319,665	16,446,645
<i>growth</i>	1.0%	5.8%	1.2%	1.2%	1.2%	0.2%	0.9%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Arriving Pax O/D</b>	11,999,806	12,680,077	12,825,168	12,962,869	13,113,055	13,137,020	13,252,896	13,380,893	13,509,199	13,637,677	13,766,310	13,882,705	13,999,466	14,118,077	14,226,702	14,338,281	14,440,362	14,549,241
<i>growth</i>	0.9%	5.7%	1.1%	1.1%	1.2%	0.2%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Arriving Pax Connecting</b>	1,439,972	1,535,024	1,564,888	1,593,059	1,622,111	1,634,917	1,658,592	1,683,362	1,707,812	1,731,971	1,755,873	1,777,965	1,799,828	1,821,502	1,841,429	1,861,238	1,879,303	1,897,404
<i>growth</i>	1.9%	6.6%	1.9%	1.8%	1.8%	0.8%	1.4%	1.5%	1.4%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%	1.0%
<b>Total International Pax</b>	1,814,893	1,856,754	1,873,946	1,890,038	1,907,938	1,907,501	1,920,452	1,935,173	1,949,952	1,964,768	1,979,621	1,992,731	2,005,870	2,019,097	2,030,677	2,042,412	2,052,508	2,062,922
<i>growth</i>	5.1%	2.3%	0.9%	0.9%	0.9%	(0.0%)	0.7%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%
<b>Enplaned International Pax</b>	909,972	930,961	939,581	947,650	956,624	956,405	962,899	970,280	977,690	985,119	992,566	999,139	1,005,727	1,012,359	1,018,165	1,024,049	1,029,111	1,034,332
<i>growth</i>	5.1%	2.3%	0.9%	0.9%	0.9%	(0.0%)	0.7%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%
<b>Enplaned International Pax O/D</b>	812,478	830,431	837,404	843,935	851,315	850,555	855,796	861,856	867,963	874,108	880,286	885,706	891,156	896,671	901,482	906,391	910,603	915,004
<i>growth</i>	4.9%	2.2%	0.8%	0.8%	0.9%	(0.1%)	0.6%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
<b>Enplaned International Pax Connecting</b>	97,497	100,530	102,177	103,715	105,309	105,852	107,102	108,424	109,727	111,011	112,279	113,433	114,571	115,688	116,683	117,588	118,508	119,328
<i>growth</i>	6.0%	3.1%	1.6%	1.5%	1.5%	0.5%	1.2%	1.2%	1.2%	1.2%	1.1%	1.0%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%
<b>Arriving International Pax</b>	904,921	925,793	934,365	942,388	951,313	951,086	957,553	964,893	972,262	979,650	987,055	993,592	1,000,143	1,006,738	1,012,512	1,018,363	1,023,397	1,028,590
<i>growth</i>	5.1%	2.3%	0.9%	0.9%	0.9%	(0.0%)	0.7%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%
<b>Arriving International Pax O/D</b>	807,965	825,820	832,755	839,250	846,589	845,831	851,045	857,071	863,145	869,255	875,399	880,789	886,209	891,693	896,477	901,359	905,547	909,924
<i>growth</i>	4.9%	2.2%	0.8%	0.8%	0.9%	(0.1%)	0.6%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
<b>Arriving International Pax Connecting</b>	96,955	99,972	101,610	103,139	104,725	105,265	106,508	107,822	109,117	110,394	111,666	112,803	113,935	115,045	116,035	117,005	117,850	118,666
<i>growth</i>	6.0%	3.1%	1.6%	1.5%	1.5%	0.5%	1.2%	1.2%	1.2%	1.2%	1.1%	1.0%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%
<b>Total Domestic Pax</b>	25,139,695	26,652,808	26,986,502	27,303,080	27,644,658	27,718,842	27,985,771	28,277,437	28,569,023	28,860,333	29,151,404	29,416,040	29,680,921	29,949,049	30,195,290	30,447,066	30,677,932	30,922,187
<i>growth</i>	0.7%	6.0%	1.3%	1.2%	1.3%	0.3%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
<b>Enplaned Domestic Pax</b>	12,604,837	13,363,500	13,530,811	13,689,541	13,860,805	13,898,000	14,031,836	14,178,075	14,324,274	14,470,335	14,616,275	14,748,962	14,881,771	15,016,208	15,139,671	15,265,909	15,381,664	15,504,131
<i>growth</i>	0.7%	6.0%	1.3%	1.2%	1.3%	0.3%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
<b>Enplaned Domestic Pax O/D</b>	11,254,323	11,920,436	12,059,364	12,191,302	12,334,947	12,359,809	12,471,087	12,593,740	12,716,654	12,839,706	12,962,878	13,074,503	13,186,466	13,300,225	13,404,645	13,511,938	13,610,377	13,715,462
<i>growth</i>	0.6%	5.9%	1.2%	1.1%	1.2%	0.2%	0.9%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Enplaned Domestic Pax Connecting</b>	1,350,514	1,443,063	1,471,447	1,498,238	1,525,858	1,538,192	1,560,749	1,584,335	1,607,620	1,630,629	1,653,397	1,674,459	1,695,305	1,715,983	1,735,026	1,753,972	1,771,287	1,788,669
<i>growth</i>	1.6%	6.9%	2.0%	1.8%	1.8%	0.8%	1.5%	1.5%	1.5%	1.4%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%
<b>Arriving Domestic Pax</b>	12,534,858	13,289,308	13,455,691	13,613,539	13,783,853	13,820,842	13,953,935	14,099,361	14,244,749	14,389,998	14,535,129	14,667,079	14,799,151	14,932,841	15,056,619	15,181,156	15,296,268	15,418,055
<i>growth</i>	0.7%	6.0%	1.3%	1.2%	1.3%	0.3%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
<b>Arriving Domestic Pax O/D</b>	11,191,841	11,854,257	11,992,413	12,123,619	12,266,466	12,291,190	12,401,850	12,523,822	12,646,054	12,768,422	12,890,911	13,001,916	13,113,257	13,226,385	13,330,225	13,436,923	13,534,815	13,639,317
<i>growth</i>	0.6%	5.9%	1.2%	1.1%	1.2%	0.2%	0.9%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%
<b>Arriving Domestic Pax Connecting</b>	1,343,017	1,435,052	1,463,278	1,489,920	1,517,386	1,529,652	1,552,084	1,575,540	1,598,695	1,621,576	1,644,217	1,665,162	1,685,893	1,706,456	1,725,394	1,744,234	1,761,453	1,778,739
<i>growth</i>	1.6%	6.9%	2.0%	1.8%	1.8%	0.8%	1.5%	1.5%	1.5%	1.4%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%
<b>Cargo (Metric tons)</b>																		
<b>Total Cargo</b>	7,171	7,988	8,250	8,800	8,933	9,027	9,137	9,235	9,322	9,364	9,399	9,421	9,441	9,474	9,527	9,600	9,688	9,809
<i>growth</i>	0.9%	11.4%	3.3%	6.7%	1.5%	1.1%	1.2%	1.1%	0.9%	0.4%	0.2%	0.2%	0.3%	0.6%	0.8%	0.9%	1.3%	1.3%
<b>Cargo Inbound</b>	3,687	4,086	4,195	4,453	4,521	4,569	4,625	4,674	4,719	4,740	4,758	4,769	4,780	4,796	4,823	4,858	4,902	4,962
<i>growth</i>	0.2%	10.8%	2.7%	6.1%	1.5%	1.1%	1.2%	1.1%	0.9%	0.2%	0.2%	0.2%	0.3%	0.6%	0.7%	0.9%	1.2%	1.2%
<b>Cargo Outbound</b>	3,484	3,902	4,055	4,347	4,412	4,458	4,512	4,560	4,603	4,624	4,641	4,651	4,662	4,678	4,705	4,741	4,786	4,848
<i>growth</i>	1.7%	12.0%	3.9%	7.2%	1.5%	1.0%	1.2%	1.1%	0.9%	0.2%	0.4%	0.2%	0.2%	0.3%	0.6%	0.8%	0.9%	1.3%
<b>ATM</b>																		
<b>Total ATM's (arriving and departing)</b>	360,150	361,023	362,475	363,657	365,132	365,966	368,177	370,390	372,588	373,275	373,924	374,209	374,460	374,708	375,216	375,731	376,076	376,499
<i>growth</i>	(2.7%)	0.2%	0.4%	0.3%	0.4%	0.2%	0.6%	0.6%	0.6%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>ATM Air Carriers (NB excluding commuter)</b>	142,808	152,280	149,341	152,296	154,780	156,543	158,560	160,328	161,901	162,672	163,317	163,718	164,041	164,310	164,654	164,968	165,182	165,407
<i>growth</i>	(4.6%)	6.6%	(1.9%)	2.0%	1.6%	1.1%	1.3%	1.1%	1.0%	0.5%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%

## LaGuardia Airport Traffic Forecast

Year or Month Ending	2032A	2033A	2034A	2035A	2036A	2037A	2038A	2039A	2040A	2041A	2042A	2043A	2044A	2045A	2046A	2047A	2048A	2049A	2050A
<b>Commercial passengers</b>																			
<b>Total Pax</b>	33,236,692	33,519,865	33,811,187	34,141,497	34,450,409	34,757,935	35,022,043	35,264,084	35,492,319	35,701,461	35,874,050	36,038,550	36,196,018	36,346,407	36,521,607	36,692,377	36,858,800	37,021,444	37,218,032
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Pax	16,664,605	16,806,586	16,952,652	17,118,267	17,273,153	17,427,344	17,559,766	17,681,123	17,795,558	17,900,420	17,986,955	18,069,434	18,148,387	18,223,791	18,311,634	18,397,258	18,480,701	18,562,249	18,660,816
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Pax O/D	14,739,785	14,864,546	14,994,574	15,143,614	15,283,740	15,423,460	15,543,715	15,653,636	15,757,206	15,851,922	15,930,496	16,005,502	16,077,439	16,146,281	16,226,216	16,304,332	16,380,700	16,455,573	16,545,652
<b>growth</b>	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Pax Connecting	1,924,820	1,942,040	1,958,078	1,974,653	1,989,413	2,003,884	2,016,051	2,027,486	2,038,352	2,048,498	2,056,459	2,063,932	2,070,948	2,077,510	2,085,419	2,092,926	2,100,000	2,106,676	2,115,164
<b>growth</b>	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%
Arriving Pax	16,572,087	16,713,279	16,858,535	17,023,230	17,177,256	17,330,591	17,462,278	17,582,961	17,696,761	17,801,041	17,887,095	17,969,116	18,047,631	18,122,616	18,209,972	18,295,120	18,378,100	18,459,195	18,557,215
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Pax O/D	14,657,953	14,782,021	14,911,327	15,059,540	15,198,888	15,337,833	15,457,419	15,566,731	15,669,726	15,763,915	15,842,053	15,916,643	15,988,180	16,056,640	16,136,131	16,213,814	16,289,758	16,364,215	16,453,794
<b>growth</b>	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Pax Connecting	1,914,134	1,931,258	1,947,208	1,963,690	1,978,369	1,992,759	2,004,858	2,016,230	2,027,035	2,037,125	2,045,042	2,052,473	2,059,451	2,065,977	2,073,841	2,081,306	2,088,342	2,094,980	2,103,422
<b>growth</b>	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.4%
<b>Total International Pax</b>	2,072,093	2,082,034	2,091,053	2,100,961	2,109,082	2,116,989	2,122,527	2,127,322	2,131,594	2,135,175	2,136,610	2,137,656	2,138,349	2,138,690	2,140,519	2,142,047	2,143,244	2,147,151	2,152,952
<b>growth</b>	0.4%	0.5%	0.4%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%
Enplaned International Pax	1,038,931	1,043,915	1,048,437	1,053,405	1,057,476	1,061,441	1,064,218	1,066,622	1,068,764	1,070,559	1,071,279	1,071,803	1,072,151	1,072,321	1,073,239	1,074,005	1,074,605	1,076,564	1,079,472
<b>growth</b>	0.4%	0.5%	0.4%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%
Enplaned International Pax O/D	918,930	923,288	927,339	931,891	935,683	939,391	942,034	944,313	946,345	948,046	948,799	949,380	949,806	950,077	951,013	951,823	952,495	954,382	957,116
<b>growth</b>	0.4%	0.5%	0.4%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
Enplaned International Pax Connecting	120,000	120,627	121,097	121,514	121,794	122,050	122,184	122,309	122,419	122,513	122,480	122,424	122,345	122,245	122,226	122,182	122,110	122,182	122,356
<b>growth</b>	0.6%	0.5%	0.4%	0.5%	0.4%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	-0.1%	-0.1%	0.0%	0.0%	-0.1%	0.1%	0.1%	0.1%
Arriving International Pax	1,033,163	1,038,119	1,042,616	1,047,556	1,051,806	1,055,548	1,058,309	1,060,700	1,062,830	1,064,616	1,065,331	1,065,853	1,066,199	1,066,368	1,067,280	1,068,042	1,068,639	1,070,587	1,073,479
<b>growth</b>	0.4%	0.5%	0.4%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
Arriving International Pax O/D	913,829	918,162	922,191	926,717	930,488	934,176	936,804	939,070	941,091	942,783	943,531	944,109	944,533	944,802	945,733	946,539	947,207	949,083	951,803
<b>growth</b>	0.4%	0.5%	0.4%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
Arriving International Pax Connecting	119,334	119,957	120,425	120,839	121,117	121,372	121,505	121,630	121,739	121,833	121,800	121,744	121,666	121,546	121,547	121,504	121,432	121,504	121,677
<b>growth</b>	0.6%	0.5%	0.4%	0.5%	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	-0.1%	-0.1%	0.0%	-0.1%	0.1%	0.1%	0.1%
<b>Total Domestic Pax</b>	31,164,599	31,437,832	31,720,134	32,040,536	32,341,327	32,640,946	32,899,517	33,136,762	33,360,725	33,566,285	33,737,440	33,900,894	34,057,668	34,207,718	34,381,087	34,550,330	34,715,556	34,874,294	35,065,080
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Domestic Pax	15,625,675	15,762,671	15,904,215	16,064,862	16,215,677	16,365,903	16,495,548	16,614,501	16,726,794	16,829,861	16,915,676	16,997,630	17,076,236	17,151,470	17,238,396	17,323,253	17,406,095	17,485,685	17,581,344
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Domestic Pax O/D	13,820,855	13,941,258	14,067,234	14,211,723	14,348,057	14,484,069	14,601,681	14,709,324	14,810,862	14,903,876	14,981,697	15,056,122	15,127,633	15,196,204	15,275,202	15,352,509	15,428,205	15,501,191	15,588,535
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Domestic Pax Connecting	1,804,820	1,821,414	1,836,981	1,853,139	1,867,620	1,881,834	1,893,867	1,905,177	1,915,933	1,925,985	1,933,979	1,941,508	1,948,603	1,955,266	1,963,193	1,970,744	1,977,891	1,984,494	1,992,809
<b>growth</b>	0.9%	0.9%	0.9%	0.9%	0.8%	0.8%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%
Arriving Domestic Pax	15,538,924	15,675,160	15,815,919	15,975,674	16,125,651	16,275,043	16,403,968	16,522,261	16,633,931	16,736,425	16,821,764	16,903,263	16,981,432	17,056,248	17,142,692	17,227,078	17,309,461	17,388,608	17,483,736
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Domestic Pax O/D	13,744,124	13,863,859	13,989,136	14,132,823	14,288,399	14,403,657	14,520,616	14,627,961	14,728,635	14,821,133	14,898,522	14,972,534	15,043,648	15,111,838	15,190,398	15,267,275	15,342,551	15,415,132	15,501,991
<b>growth</b>	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Domestic Pax Connecting	1,794,800	1,811,301	1,826,783	1,842,851	1,857,251	1,871,386	1,883,353	1,894,600	1,905,296	1,915,292	1,923,242	1,930,729	1,937,785	1,944,411	1,952,294	1,959,803	1,966,910	1,973,477	1,981,745
<b>growth</b>	0.9%	0.9%	0.9%	0.9%	0.8%	0.8%	0.6%	0.6%	0.6%	0.5%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.3%	0.4%
<b>Cargo (Metric tons)</b>																			
<b>Total Cargo</b>	9,971	10,207	10,520	10,928	11,342	11,748	12,116	12,436	12,768	13,065	13,344	13,612	13,871	14,121	14,057	13,992	13,928	13,863	13,806
<b>growth</b>	1.6%	2.4%	3.1%	3.9%	3.8%	3.6%	3.1%	2.6%	2.7%	2.3%	2.1%	2.0%	1.9%	1.8%	-0.5%	-0.5%	-0.5%	-0.5%	(0.4%)
Cargo Inbound	5,041	5,157	5,310	5,511	5,714	5,913	6,094	6,251	6,414	6,560	6,697	6,829	6,956	7,079	7,048	6,985	6,942	6,954	6,927
<b>growth</b>	1.6%	2.3%	3.0%	3.8%	3.7%	3.5%	3.1%	2.6%	2.6%	2.3%	2.1%	2.0%	1.9%	1.8%	-0.4%	-0.4%	-0.4%	-0.5%	(0.4%)
Cargo Outbound	4,930	5,050	5,210	5,417	5,628	5,834	6,022	6,185	6,354	6,505	6,646	6,783	6,915	7,042	7,009	6,975	6,942	6,909	6,880
<b>growth</b>	1.7%	2.4%	3.2%	4.0%	3.9%	3.7%	3.2%	2.7%	2.7%	2.4%	2.2%	2.1%	1.9%	1.8%	-0.5%	-0.5%	-0.5%	-0.5%	(0.4%)
<b>ATM</b>																			
<b>Total ATM's (arriving and departing)</b>	376,778	377,257	377,651	378,752	379,550	380,306	380,600	380,704	382,153	383,437	384,290	385,060	385,739	386,330	387,180	387,951	388,657	389,288	390,183
<b>growth</b>	0.1%	0.1%	0.1%	0.3%	0.2%	0.2%	0.1%												

Appendix 2

Terminal B Traffic Forecast

Year or Month Ending	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025A	2026A	2027A	2028A	2029A	2030A	2031A
<b>Commercial passengers</b>																		
Total Pax	13,500,024	14,278,822	14,454,561	14,621,177	14,801,219	14,852,968	15,008,237	15,177,101	15,353,891	16,406,660	16,569,488	16,717,318	16,865,295	17,015,045	17,152,271	17,292,525	17,420,777	17,556,324
growth	3.2%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%
Enplaned Pax	6,768,801	7,159,284	7,247,399	7,330,938	7,421,210	7,447,156	7,525,007	7,609,674	7,698,315	8,226,165	8,307,805	8,381,927	8,456,121	8,531,204	8,600,008	8,670,330	8,734,635	8,802,597
growth	3.2%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Enplaned Pax O/D	6,235,357	6,588,840	6,664,232	6,735,785	6,813,825	6,833,092	6,900,239	6,973,823	7,051,205	7,530,803	7,601,835	7,666,109	7,730,585	7,796,083	7,856,066	7,917,681	7,974,051	8,034,174
growth	3.1%	5.7%	1.1%	1.1%	1.2%	0.3%	1.0%	1.1%	1.2%	6.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%
Enplaned Pax Connecting	533,445	570,444	583,167	595,154	607,385	614,064	624,768	635,851	647,110	695,362	705,970	715,817	725,535	735,121	743,942	752,649	760,584	768,423
growth	4.5%	6.9%	2.2%	2.1%	1.7%	1.1%	1.7%	1.8%	1.8%	7.5%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%
Arriving Pax	6,731,223	7,119,538	7,207,163	7,290,238	7,380,009	7,405,811	7,483,230	7,567,427	7,655,576	8,180,495	8,261,682	8,335,392	8,409,174	8,483,841	8,552,263	8,622,194	8,686,142	8,753,727
growth	3.2%	5.8%	1.2%	1.2%	1.2%	0.3%	1.1%	1.2%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Arriving Pax O/D	6,200,739	6,552,260	6,627,234	6,698,389	6,775,996	6,795,157	6,861,930	6,935,106	7,012,058	7,488,994	7,569,632	7,623,549	7,687,667	7,752,801	7,812,451	7,873,724	7,929,780	7,989,570
growth	3.1%	5.7%	1.1%	1.1%	1.2%	0.3%	1.1%	1.1%	1.1%	6.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%
Arriving Pax Connecting	530,483	567,277	579,929	591,849	604,013	610,655	621,300	632,321	643,518	691,501	702,051	711,843	721,507	731,040	739,812	748,471	756,362	764,157
growth	4.5%	6.9%	2.2%	2.1%	1.7%	1.1%	1.7%	1.8%	1.8%	7.5%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%
Total International Pax	1,248,539	1,320,566	1,336,819	1,352,228	1,368,879	1,373,665	1,388,025	1,403,642	1,419,992	1,517,357	1,532,416	1,546,088	1,559,773	1,573,623	1,586,314	1,599,285	1,611,147	1,623,683
growth	7.7%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Enplaned International Pax	626,007	662,121	670,270	677,996	686,344	688,744	695,944	703,775	711,973	760,790	768,341	775,196	782,058	789,002	795,365	801,869	807,816	814,101
growth	7.7%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Enplaned International Pax O/D	576,672	609,364	616,336	622,954	630,171	631,953	638,163	644,968	652,125	696,480	703,050	708,994	714,957	721,015	726,562	732,260	737,474	743,034
growth	7.6%	5.7%	1.1%	1.1%	1.2%	0.3%	1.1%	1.1%	1.1%	6.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%
Enplaned International Pax Connecting	49,335	52,757	53,934	55,042	56,174	56,791	57,781	58,806	59,847	64,310	65,291	66,202	67,101	67,967	68,803	69,608	70,342	71,067
growth	9.1%	6.9%	2.2%	2.1%	1.7%	1.1%	1.7%	1.8%	1.8%	7.5%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%
Arriving International Pax	622,532	658,445	666,549	674,232	682,534	684,921	692,081	699,867	708,020	756,567	764,075	770,882	777,716	784,621	790,949	797,417	803,331	809,581
growth	7.7%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Arriving International Pax O/D	573,470	605,981	612,914	619,495	626,675	628,445	634,620	641,388	648,505	692,614	699,147	705,058	710,988	717,012	722,528	728,195	733,379	738,909
growth	7.6%	5.7%	1.1%	1.1%	1.2%	0.3%	1.1%	1.1%	1.1%	6.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%
Arriving International Pax Connecting	49,061	52,464	53,634	54,737	55,862	56,476	57,460	58,480	59,515	64,923	64,923	65,834	66,728	67,610	68,421	69,222	69,951	70,672
growth	9.1%	6.9%	2.2%	2.1%	1.7%	1.1%	1.7%	1.8%	1.8%	7.5%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%
Total Domestic Pax	12,251,485	12,958,257	13,117,743	13,268,949	13,432,340	13,479,303	13,620,212	13,773,459	13,933,898	14,889,303	15,037,072	15,171,230	15,305,521	15,441,422	15,565,957	15,693,239	15,809,630	15,932,641
growth	2.8%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Enplaned Domestic Pax	6,142,794	6,497,164	6,577,129	6,652,942	6,734,865	6,758,412	6,829,063	6,905,900	6,986,343	7,465,375	7,539,465	7,600,731	7,674,063	7,742,203	7,804,643	7,868,462	7,926,819	7,988,496
growth	2.8%	5.8%	1.2%	1.2%	1.2%	0.3%	1.0%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Enplaned Domestic Pax O/D	5,658,685	5,979,476	6,047,896	6,112,831	6,183,654	6,201,139	6,262,076	6,328,854	6,399,080	6,834,323	6,888,768	6,957,115	7,015,628	7,075,069	7,129,504	7,185,421	7,236,577	7,291,140
growth	2.7%	5.7%	1.1%	1.1%	1.2%	0.3%	1.1%	1.1%	1.1%	6.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%
Enplaned Domestic Pax Connecting	464,109	517,687	529,233	540,111	551,211	557,273	566,987	577,045	587,263	631,052	640,697	649,616	658,435	667,134	675,139	683,041	690,242	697,356
growth	4.1%	6.9%	2.2%	2.1%	1.7%	1.1%	1.7%	1.8%	1.8%	7.5%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%
Arriving Domestic Pax	6,108,891	6,461,093	6,540,614	6,616,006	6,697,475	6,720,891	6,791,149	6,867,559	6,947,556	7,423,929	7,497,607	7,564,500	7,631,458	7,699,220	7,761,314	7,824,778	7,882,811	7,944,145
growth	2.8%	5.8%	1.2%	1.2%	1.2%	0.3%	1.1%	1.1%	1.2%	6.9%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
Arriving Domestic Pax O/D	5,627,269	5,946,280	6,014,319	6,078,884	6,149,323	6,166,712	6,227,310	6,293,718	6,363,553	6,796,380	6,860,485	6,918,491	6,976,679	7,035,789	7,089,923	7,145,529	7,196,401	7,250,661
growth	2.7%	5.7%	1.1%	1.1%	1.2%	0.3%	1.1%	1.1%	1.1%	6.8%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%
Arriving Domestic Pax Connecting	481,422	514,813	526,295	537,113	548,151	554,179	563,839	573,842	584,002	627,548	637,122	646,009	654,779	663,430	671,391	679,249	686,410	693,484
growth	4.1%	6.9%	2.2%	2.1%	1.7%	1.1%	1.7%	1.8%	1.8%	7.5%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%
<b>Cargo (Short tons)</b>																		
Total Cargo	2,993	3,297	3,405	3,632	3,686	3,725	3,771	3,811	3,847	4,667	4,666	4,666	4,706	4,722	4,749	4,785	4,829	4,889
growth	0.3%	10.1%	3.3%	6.7%	1.5%	1.1%	1.2%	1.1%	0.9%	21.3%	0.4%	0.2%	0.6%	0.6%	0.6%	0.8%	0.9%	1.3%
Cargo Inbound	1,539	1,686	1,731	1,838	1,866	1,885	1,909	1,929	1,947	2,363	2,372	2,377	2,382	2,390	2,404	2,422	2,443	2,473
growth	(0.4%)	9.6%	2.7%	6.1%	1.5%	1.1%	1.2%	1.1%	0.9%	21.3%	0.4%	0.2%	0.3%	0.3%	0.6%	0.7%	0.9%	1.2%
Cargo Outbound	1,454	1,610	1,673	1,794	1,821	1,840	1,862	1,882	1,900	2,304	2,313	2,318	2,323	2,332	2,345	2,363	2,385	2,416
growth	1.1%	10.7%	3.9%	7.2%	1.5%	1.0%	1.2%	1.1%	0.9%	21.3%	0.4%	0.2%	0.2%	0.2%	0.3%	0.6%	0.9%	1.3%
<b>ATM</b>																		
Total ATM's (arriving and departing)	150,312	148,989	149,588	150,076	150,684	151,029	151,941	152,855	153,761	186,051	186,374	186,517	186,641	186,765	187,019	187,275	187,447	187,658
growth	(3.3%)	(0.9%)	0.4%	0.3%	0.4%	0.2%	0.6%	0.6%	0.6%	21.0%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
ATM Air Carriers (NB excluding commuter)	82,667	90,553	89,745	90,059	90,445	90,670	91,237	91,803	92,364	90,347	90,519	90,602	90,677	90,747	90,879	91,008	91,093	91,192
growth	(2.5%)	9.5%	(0.9%)	0.3%	0.4%	0.2%	0.6%	0.6%	0.6%	(2.2%)	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
ATM Air Carriers (WB)	0	0	0	0	0	0	0	0	0	0	0	0	0	12	31	62	105	167
growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ATM Commuter	63,837	54,699	56,128	56,324	56,566	56,707	57,061	57,415	57,766	91,341	91,516	91,600	91,675	91,747	91,879	92,010	92,096	92,196
growth	(4.5%)	(14.3%)	2.6%															

## Terminal B Traffic Forecast

Year or Month Ending	2022A	2023A	2024A	2025A	2026A	2027A	2028A	2029A	2040A	2041A	2042A	2043A	2044A	2045A	2046A	2047A	2048A	2049A	2050A
<b>Commercial passengers</b>																			
Total Pax	17,690,229	17,840,948	17,996,004	18,171,812	18,336,230	18,499,911	18,640,483	18,769,308	18,890,787	19,002,102	19,093,963	19,181,518	19,265,331	19,345,375	19,438,625	19,529,518	19,618,096	19,704,664	19,809,297
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.9%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Pax	8,869,736	8,945,305	9,023,049	9,111,198	9,193,636	9,275,704	9,346,185	9,410,778	9,471,686	9,527,499	9,573,557	9,617,456	9,659,479	9,699,613	9,746,367	9,791,940	9,836,353	9,879,757	9,932,219
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Pax O/D	8,094,205	8,162,717	8,234,120	8,315,964	8,392,913	8,469,639	8,535,675	8,596,038	8,652,912	8,704,924	8,748,073	8,789,261	8,828,764	8,866,568	8,910,464	8,953,361	8,995,298	9,036,413	9,085,879
growth	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Pax Connecting	775,531	782,589	788,929	795,234	800,723	806,065	810,510	814,740	818,774	822,574	825,484	828,195	830,714	833,044	835,904	838,580	841,055	843,344	846,340
growth	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Arriving Pax	8,820,493	8,895,643	8,972,955	9,060,614	9,142,595	9,224,207	9,294,297	9,358,531	9,419,101	9,474,604	9,520,406	9,564,062	9,605,852	9,645,763	9,692,258	9,737,578	9,781,744	9,824,907	9,877,078
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Pax O/D	8,049,268	8,117,399	8,188,406	8,269,796	8,346,317	8,422,617	8,488,287	8,548,314	8,604,873	8,656,596	8,699,505	8,740,465	8,779,749	8,817,343	8,860,995	8,903,654	8,945,358	8,986,245	9,035,436
growth	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Pax Connecting	771,225	778,244	784,549	790,819	796,278	801,590	806,010	810,217	814,228	818,008	820,901	823,597	826,103	828,419	831,263	833,924	836,386	838,662	841,642
growth	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Total International Pax	1,636,067	1,650,006	1,664,346	1,680,606	1,695,812	1,710,950	1,723,950	1,735,865	1,747,099	1,757,394	1,765,890	1,773,987	1,781,739	1,789,142	1,797,766	1,806,172	1,814,364	1,822,370	1,832,047
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned International Pax	820,310	827,299	834,490	842,642	850,266	857,856	864,375	870,348	875,981	881,143	885,403	889,463	893,349	897,061	901,385	905,600	909,707	913,721	918,573
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned International Pax O/D	748,586	754,922	761,526	769,095	776,212	783,308	789,415	794,998	800,258	805,068	809,059	812,868	816,521	820,018	824,077	828,044	831,923	835,725	840,300
growth	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned International Pax Connecting	71,724	72,377	72,963	73,547	74,054	74,548	74,959	75,351	75,724	76,075	76,344	76,595	76,828	77,043	77,308	77,565	77,784	77,996	78,273
growth	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Arriving International Pax	815,796	822,706	829,857	837,964	845,546	853,093	859,576	865,516	871,118	876,251	880,487	884,525	888,390	892,081	896,381	900,572	904,657	908,649	913,474
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving International Pax O/D	744,430	750,731	757,298	764,825	771,903	778,959	785,033	790,584	795,815	800,598	804,567	808,355	811,988	815,465	819,502	823,447	827,304	831,086	835,635
growth	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving International Pax Connecting	71,326	71,975	72,558	73,138	73,643	74,134	74,543	74,932	75,303	75,653	75,920	76,170	76,401	76,616	76,879	77,125	77,352	77,563	77,839
growth	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Total Domestic Pax	16,054,162	16,190,942	16,331,658	16,491,206	16,640,419	16,788,961	16,916,532	17,033,444	17,143,688	17,244,708	17,328,073	17,407,531	17,483,592	17,556,234	17,640,859	17,723,346	17,803,732	17,882,294	17,977,250
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Domestic Pax	8,049,426	8,118,006	8,188,560	8,268,556	8,343,370	8,417,848	8,481,811	8,540,429	8,595,705	8,646,355	8,688,154	8,727,993	8,766,130	8,802,552	8,844,982	8,886,340	8,926,646	8,966,036	9,013,646
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Domestic Pax O/D	7,345,619	7,407,794	7,472,594	7,546,869	7,616,701	7,686,331	7,746,260	7,801,040	7,852,654	7,899,856	7,939,014	7,976,393	8,012,243	8,046,551	8,086,387	8,125,316	8,163,375	8,200,688	8,245,579
growth	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Enplaned Domestic Pax Connecting	703,806	710,212	715,966	721,687	726,669	731,517	735,551	739,389	743,050	746,499	749,140	751,600	753,886	756,001	758,596	761,024	763,271	765,348	768,067
growth	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Arriving Domestic Pax	8,004,737	8,072,937	8,143,099	8,222,650	8,297,049	8,371,114	8,434,722	8,493,015	8,547,983	8,598,353	8,639,919	8,679,537	8,717,462	8,753,682	8,795,877	8,837,005	8,877,087	8,916,258	8,963,604
growth	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Domestic Pax O/D	7,304,838	7,366,668	7,431,108	7,504,970	7,574,415	7,643,658	7,703,255	7,757,730	7,809,058	7,855,998	7,894,938	7,932,110	7,967,761	8,001,878	8,041,493	8,080,206	8,118,053	8,155,159	8,199,801
growth	0.7%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%
Arriving Domestic Pax Connecting	699,899	706,269	711,991	717,680	722,635	727,455	731,467	735,284	738,925	742,355	744,981	747,427	749,701	751,804	754,384	756,799	759,033	761,099	763,803
growth	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
<b>Cargo (Short tons)</b>																			
Total Cargo	4,970	5,088	5,243	5,447	5,653	5,855	6,039	6,199	6,364	6,512	6,651	6,785	6,914	7,038	7,006	6,974	6,942	6,910	6,881
growth	1.6%	2.4%	3.1%	3.9%	3.8%	3.6%	3.1%	2.6%	2.7%	2.3%	2.1%	2.0%	1.9%	1.8%	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.4%)
Cargo Inbound	2,513	2,570	2,647	2,747	2,848	2,947	3,037	3,116	3,197	3,270	3,338	3,404	3,467	3,528	3,513	3,497	3,482	3,466	3,452
growth	1.6%	2.3%	3.0%	3.8%	3.7%	3.5%	3.1%	2.6%	2.6%	2.3%	2.1%	2.0%	1.9%	1.8%	(0.4%)	(0.4%)	(0.4%)	(0.5%)	(0.4%)
Cargo Outbound	2,457	2,517	2,597	2,700	2,805	2,908	3,001	3,083	3,167	3,242	3,313	3,381	3,446	3,510	3,493	3,477	3,460	3,444	3,429
growth	1.7%	2.4%	3.2%	4.0%	3.9%	3.7%	3.2%	2.7%	2.7%	2.4%	2.2%	2.1%	1.9%	1.8%	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.4%)
<b>ATM</b>																			
Total ATM's (arriving and departing)	187,797	188,036	188,232	188,781	189,178	189,555	189,702	189,754	190,476	191,116	191,541	191,925	192,264	192,558	192,982	193,366	193,718	194,032	194,478
growth	0.1%	0.1%	0.1%	0.3%	0.2%	0.2%	0.1%	0.0%	0.4%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
ATM Air Carriers (NB excluding comm)	91,249	91,345	91,408	91,632	91,780	91,918	91,948	91,937	92,256	92,539	92,718	92,879	93,018	93,136	93,363	93,570	93,761	93,933	94,169
growth	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.0%	(0.0%)	0.3%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%

Appendix 3

Peak Hour Forecast for LaGuardia Airport

Hour	0	100	200	300	400	500	600	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100	2200	2300
------	---	-----	-----	-----	-----	-----	-----	-----	-----	-----	------	------	------	------	------	------	------	------	------	------	------	------	------	------

ATMs by Hour

2014	1	0	0	0	0	1	44	51	78	72	81	74	72	76	75	71	71	74	77	72	68	60	38	18
2015	1	0	0	0	0	1	43	50	76	70	79	72	70	74	73	69	69	72	75	70	66	58	37	17
2016	1	0	0	0	0	1	43	50	76	70	79	72	70	74	74	69	69	72	75	70	66	58	37	17
2017	1	0	0	0	0	1	43	50	76	71	79	72	70	74	74	70	69	72	75	70	67	59	38	17
2018	1	0	0	0	0	1	43	51	76	71	79	73	72	74	75	70	70	74	76	71	68	59	38	17
2019	1	0	0	0	0	1	43	51	76	71	79	73	72	74	75	70	70	74	76	71	68	60	38	17
2020	1	0	0	0	0	1	44	51	77	72	81	74	72	74	75	70	70	74	77	72	68	60	38	17
2021	1	0	0	0	0	1	44	51	78	72	81	74	72	76	76	71	71	74	77	72	68	60	38	18
2022	1	0	0	0	0	1	44	51	78	72	81	74	72	76	76	71	71	74	77	72	69	61	38	18
2023	1	0	0	0	0	1	44	51	78	73	81	74	72	76	76	71	71	74	77	72	69	61	39	18
2024	1	0	0	0	0	1	44	51	78	73	81	74	72	76	76	71	71	74	77	72	69	61	39	18
2025	1	0	0	0	0	1	44	51	78	73	81	74	73	76	76	72	71	75	77	72	69	61	39	18

Passengers by Hour

2014	74	-	-	-	-	74	3,252	3,770	5,765	5,322	5,987	5,470	5,322	5,617	5,544	5,248	5,248	5,470	5,691	5,322	5,026	4,435	2,809	1,330
2015	77	-	-	-	-	77	3,302	3,839	5,836	5,375	6,066	5,529	5,375	5,682	5,606	5,298	5,298	5,529	5,759	5,375	5,068	4,454	2,841	1,305
2016	81	-	-	-	-	81	3,483	4,050	6,156	5,670	6,399	5,832	5,670	5,994	5,994	5,589	5,589	5,832	6,075	5,670	5,346	4,698	2,997	1,377
2017	82	-	-	-	-	82	3,511	4,082	6,205	5,715	6,450	5,879	5,715	6,042	6,042	5,634	5,634	5,879	6,124	5,715	5,389	4,736	3,021	1,388
2018	82	-	-	-	-	82	3,539	4,115	6,255	5,843	6,502	5,926	5,761	6,090	6,090	5,761	5,679	5,926	6,173	5,761	5,514	4,856	3,127	1,399
2019	83	-	-	-	-	83	3,567	4,231	6,305	5,890	6,554	6,056	5,973	6,139	6,222	5,807	5,807	6,139	6,305	5,890	5,641	4,895	3,152	1,410
2020	83	-	-	-	-	83	3,567	4,231	6,305	5,890	6,554	6,056	5,973	6,139	6,222	5,807	5,807	6,139	6,305	5,890	5,641	4,978	3,152	1,410
2021	83	-	-	-	-	83	3,662	4,244	6,408	5,992	6,741	6,159	5,992	6,159	6,242	5,826	5,826	6,159	6,408	5,992	5,659	4,993	3,162	1,415
2022	84	-	-	-	-	84	3,677	4,261	6,518	6,016	6,768	6,183	6,016	6,350	6,350	5,933	5,933	6,183	6,434	6,016	5,682	5,013	3,175	1,504
2023	84	-	-	-	-	84	3,691	4,279	6,544	6,040	6,795	6,208	6,040	6,376	6,376	5,956	5,956	6,208	6,460	6,040	5,789	5,117	3,188	1,510
2024	85	-	-	-	-	85	3,721	4,313	6,596	6,173	6,850	6,258	6,089	6,427	6,427	6,004	6,004	6,258	6,511	6,089	5,835	5,158	3,298	1,522
2025	85	-	-	-	-	85	3,751	4,347	6,649	6,223	6,904	6,308	6,223	6,478	6,478	6,137	6,052	6,393	6,563	6,137	5,882	5,200	3,324	1,534

## Appendix 4: GDP multiplier model

### SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.995589
R Square	0.991197
Adjusted R Square	0.990397
Standard Error	0.015419
Observations	13

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.294461	0.294461	1238.634308	1.17048E-12
Residual	11	0.002615	0.000238		
Total	12	0.297076			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	9.958384	0.236713	42.06953	1.66625E-13	9.437383647	10.47939	9.437384	10.47939
Ln(GDP)	0.892413	0.025357	35.19424	1.17048E-12	0.836602651	0.948222	0.836603	0.948222



## Appendix 5: Market share extrapolation for airports

### Market share extrapolation for airports in NYC area

(based on historical trend, without capacity constraints and ability of airport)

	JFK	EWR	LGA	HPN	ISP	SWF
2016	45.0%	29.8%	22.5%	1.3%	1.1%	0.3%
2017	45.2%	29.8%	22.3%	1.3%	1.1%	0.3%
2018	45.3%	29.8%	22.1%	1.3%	1.2%	0.4%
2019	45.4%	29.8%	21.8%	1.3%	1.2%	0.4%
2020	45.6%	29.8%	21.6%	1.3%	1.2%	0.4%
2021	45.7%	29.9%	21.4%	1.4%	1.2%	0.4%
2022	45.9%	29.9%	21.2%	1.4%	1.2%	0.5%
2023	46.0%	29.9%	21.0%	1.4%	1.2%	0.5%
2024	46.2%	29.9%	20.8%	1.4%	1.3%	0.5%
2025	46.3%	29.9%	20.5%	1.4%	1.3%	0.5%
2026	46.4%	29.9%	20.3%	1.4%	1.3%	0.6%
2027	46.6%	29.9%	20.1%	1.5%	1.3%	0.6%
2028	46.7%	30.0%	19.9%	1.5%	1.3%	0.6%
2029	46.9%	30.0%	19.7%	1.5%	1.3%	0.6%
2030	47.0%	30.0%	19.5%	1.5%	1.4%	0.7%
2031	47.2%	30.0%	19.2%	1.5%	1.4%	0.7%
2032	47.3%	30.0%	19.0%	1.5%	1.4%	0.7%
2033	47.5%	30.0%	18.8%	1.6%	1.4%	0.8%
2034	47.6%	30.0%	18.6%	1.6%	1.4%	0.8%
2035	47.7%	30.1%	18.4%	1.6%	1.4%	0.8%
2036	47.9%	30.1%	18.1%	1.6%	1.5%	0.8%
2037	48.0%	30.1%	17.9%	1.6%	1.5%	0.9%
2038	48.2%	30.1%	17.7%	1.6%	1.5%	0.9%
2039	48.3%	30.1%	17.5%	1.7%	1.5%	0.9%
2040	48.5%	30.1%	17.3%	1.7%	1.5%	0.9%
2041	48.6%	30.1%	17.1%	1.7%	1.5%	1.0%
2042	48.7%	30.2%	16.8%	1.7%	1.6%	1.0%
2043	48.9%	30.2%	16.6%	1.7%	1.6%	1.0%
2044	49.0%	30.2%	16.4%	1.7%	1.6%	1.0%
2045	49.2%	30.2%	16.2%	1.8%	1.6%	1.1%
2046	49.3%	30.2%	16.0%	1.8%	1.6%	1.1%
2047	49.5%	30.2%	15.7%	1.8%	1.6%	1.1%
2048	49.6%	30.2%	15.5%	1.8%	1.7%	1.2%
2049	49.8%	30.3%	15.3%	1.8%	1.7%	1.2%
2050	49.9%	30.3%	15.1%	1.8%	1.7%	1.2%

### Final LGA share of demand

(based on ability/capacity of airports)

LGA
22.5%
22.3%
22.1%
21.8%
21.6%
21.4%
21.2%
21.0%
20.8%
20.5%
20.3%
20.1%
19.9%
19.7%
19.5%
19.3%
19.1%
19.0%
18.8%
18.7%
18.6%
18.5%
18.4%
18.2%
18.1%
17.9%
17.8%
17.6%
17.5%
17.3%
17.2%
17.0%
16.8%
16.7%
16.5%

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Appendix B-5**

**REPORT OF THE CONCESSION FORECAST CONSULTANT**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

# LaGuardia Airport – Central Terminal Building Replacement Project

---



## Commercial Strategy & Revenue Model – Addendum

21<sup>st</sup> April 2016

Prepared for LaGuardia Gateway Partners / Lenders' Technical Advisors

*Prepared by Pragma Consulting Ltd*



## **Disclaimer**

This Report is supplied on the understanding that it is for the sole use of the party to whom it is addressed and their advisors.

1. This Report was commissioned by LaGuardia Gateway Partners (LGP).
2. The report has been based on primary and secondary market research and analysis of information supplied by LGP and the Port Authority of New York and New Jersey (PANYNJ).
3. Projected market and financial information and conclusions contained in the Report are not guaranteed by Pragma Consulting Limited.
4. The Report contains information provided by LGP, its management team, its advisors, and the PANYNJ
5. Pragma Consulting Limited has accepted all such research, financial information and other information provided without making further enquiries as to its completeness or accuracy.
6. Any observations, analyses, comments, conclusions and recommendations are those of the authors, and are made in good faith based on what we observed and the information we had access to. We cannot, however, give any warranties or guarantees as to the accuracy or appropriateness of the content thereof, and the information in, the report.
7. Any strategic, operational, financial, investment or other decisions that LGP or other third parties may make as a consequence of having access to this information are made entirely at the risk of those individuals or organisations making those decisions, and Pragma Consulting Ltd. cannot be held liable for any losses, costs, expenses or damages, direct or indirect, that may be sustained in the course of making, or as a result of making, such decisions.
8. Pragma Consulting authorizes the inclusion of this report in a Preliminary Official Statement and Final Official Statement prepared and used in connection with the offering and sales of those Bonds to be publicly offered, and in private placement documents prepared in connection with the private placement of those Bonds to be privately placed.

Pragma Consulting Limited

April 2016

## Introduction

LaGuardia Gateway Partners (LGP) engaged Pragma Consulting in August 2013 to act as the Commercial Advisor on the proposal submission to the PANYNJ concerning the LaGuardia Airport Central Terminal Building (CTB) Replacement Project. In May 2015, LGP were announced as the preferred bidder.

Following this announcement, Pragma was requested to update the financial forecast model produced during the due diligence stage, from August 2013 to May 2014, to take into account the revised timelines and the receipt of additional data. These updates consisted of 6 key changes and were applied in the following order:

1. **Timeframe:** Adjusting the construction schedule to reflect delays in the announcement of preferred bidder
2. **Inflation:** Adjusting all figures from real 2014 US\$ to real 2016 US\$
3. **Passenger Forecast:** Inclusion of updated passenger forecasts
4. **Trading Data:** Inclusion of the most recent concessionaire sales data and marketplace rental data from July 2014 to June 2015
5. **Revised Retail Plans:** Update to the forecasts of achievable sales and income levels achievable based on changes to the provision and layout of commercial space

This addendum serves as a summary of the impact of the inclusion of these data on the model outputs and should be read in conjunction with the main report, appended. Apart from where noted, there have been no other changes to the model structure or key assumptions outlined in the main report.

## Overview of Updates

### Timeframe

Financial close was originally assumed to be the 1<sup>st</sup> April 2015, with the construction occurring from June 2015 through to substantial completion on 31<sup>st</sup> January 2021. Whilst the construction sequence has remained the same as that included within the bid, as detailed in Table 1 below, following delays in the announcement of the preferred bidder, the timeline has been updated to run from August 2016 through to substantial completion in July 2022, with financial close assumed to occur on the 31<sup>st</sup> May 2016 (Table 2).

**Table 1: Construction Timeline**



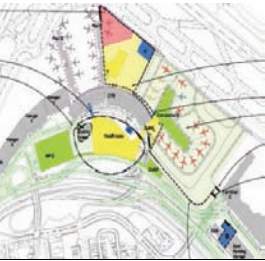



<p>Phase 1 Existing space: 45,977 New space: 0 Total: 45,977</p>	<p>Existing CTB remains fully open Begin construction of Pier B and new headhouse</p>	
<p>Phase 2 Existing space: 42,968 New space: 13,077 Total: 56,045</p>	<p>Pier B partially open Demolish Concourses A &amp; B Concession spaces within Concourses C and D and the Existing CTB headhouse will remain fully functional</p>	
<p>Phase 3 Existing space: 42,968 New space: 17,629 Total: 60,597</p>	<p>Pier B commercial space fully open Concession spaces within Concourses C and D and the Existing CTB headhouse will remain fully functional</p>	
<p>Phase 4 Existing space: 8,452 New space: 83,006 Total: 91,458</p>	<p>New CTB headhouse open (apart from F&amp;B on Pier A walkway) All concession space within the Existing CTB will close except concessions located in Concourses C &amp; D</p>	
<p>Phase 5 Existing space: 4,897 New space: 95,942 Total: 95,942</p>	<p>Pier A partially open Close Concourse C, limiting Existing CTB concession space to Concourse D</p>	
<p>Phase 6 Existing space: 0 New space: 103,451 Total: 103,451</p>	<p>Pier A open All New commercial space open All Existing commercial space closed</p>	



Table 2: Comparison of Bid vs. Updated Construction Timeline

Phase N°	Bid timeline	Updated Timeline	Month N°	Length of phase
Phase 1 (month 0)	Jun-15	Aug-16	0	22 months
Phase 2	Mar-17	Jun-18	23	3 months
Phase 3	Aug-17	Sep-18	26	17 months
Phase 4	Jul-18	Feb-20	43	6 months
Phase 5	Mar-19	Aug-20	49	17 months
Phase 6	Jun-20	Jan-22	66	7 months

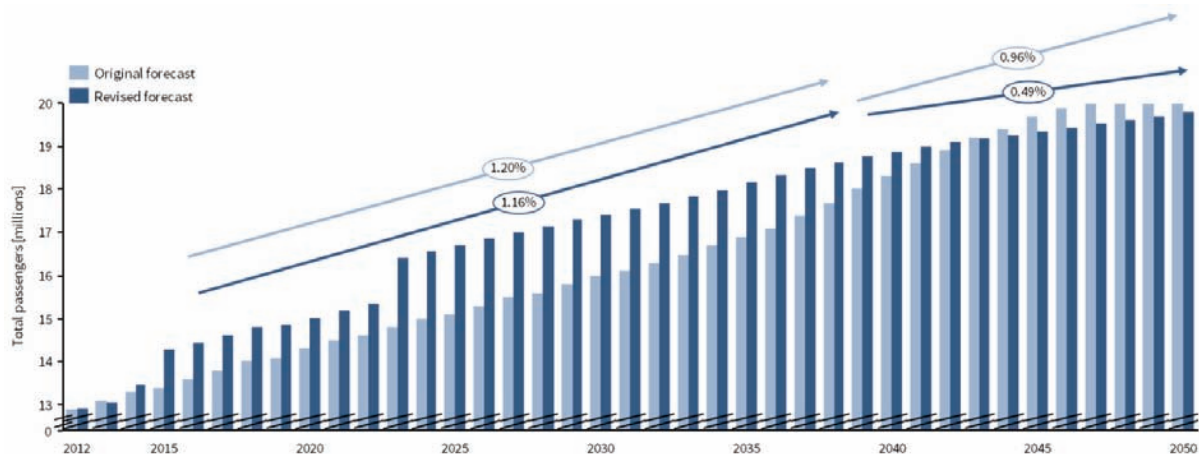
### Inflation

The original model was constructed based on 2012 sales data with the outputs in 2014 US\$. The model has since been updated to 2016 US\$.

### Passenger Forecasts

The passenger forecast for the CTB has been updated since 2014 to take into account recent performance and changes in the economic environment. Figure 1 below compares the current passenger forecast to that utilised in the bid model.

Figure 1: Original vs. Updated CTB Passenger Forecast (Millions)



The CTB has achieved higher passenger numbers through 2014 and YTD 2015 than originally forecast, and the revised forecast maintains this outperformance until 2045 with a 6.9% increase in particular seen in 2023 after substantial completion. Past this point, in the original forecast, passenger numbers were forecast to grow more quickly out to c.2045 when growth slowed as the terminal reached capacity. Within the revised forecast, growth over this period is more consistent, with the terminal only approaching capacity in 2050. This results in an increase of 28.4 million passengers in total for the period between 2016 and 2050 compared to the original forecast.

In addition to the differences in the overall passenger numbers, the proportional split between international and domestic passengers has been marginally revised with the proportion of international passengers between 2016 and 2050 rising from 7.92% in the original forecast to 9.25% in the revised forecast.

### Trading Data

The original commercial strategy of closure for units within the existing CTB has remained the same (albeit adjusted as per the new construction timeline), however the latest sales performance for the units currently trading within the CTB from July 2014 to June 2015 has been made available and included in the model. This included a number of changes to the tenants, the most notable of which is that the Bank of America has taken over from Wachovia in the running of the banking services and ATMs. Where these figures have been used, a different inflation impactor of 0.62% has been used to adjust the sales to 2016 US\$.

A number of the units in the CTB have recently been changed, with new retail offers. As a number of these units (such as Desigual, Lick, and Ruby Blue) have only recently opened, we have made an assumption on the forecasted sales, based on average spend per passenger for the appropriate category in the relevant area.

Given that the forecasts for the New CTB are based on a bottom-up build, the impact of updating the sales data, apart from the updated contract with Bank of America, has minimal effect on the New CTB and hence the effects are relatively short term as they largely focus on the operating period of the existing CTB.

Also updated is the calculation on the percentage of income due to MarketPlace. In the bid case, the MarketPlace share was set at 21.5% of total income, based on the last full-year of data available at the time. With the new trading date, the MarketPlace share is now based on the following calculation and ranges between 19.9% and 22.7% per annum:

- $\text{gross\_sales} - \text{variable\_rent\_to\_PANYNJ} - \text{minimum\_rent\_to\_PANYNJ}$

### Existing CTB

Terminal concessions are split into four core product categories, namely food & beverage, news & gift, duty free, and speciality retail (the latter which includes clothes, accessories, electronics, jewellery, and health & beauty), and services, which includes foreign exchange kiosks and ATMs.

The trends in each core category continue to be as relevant today as they were during the bid process.

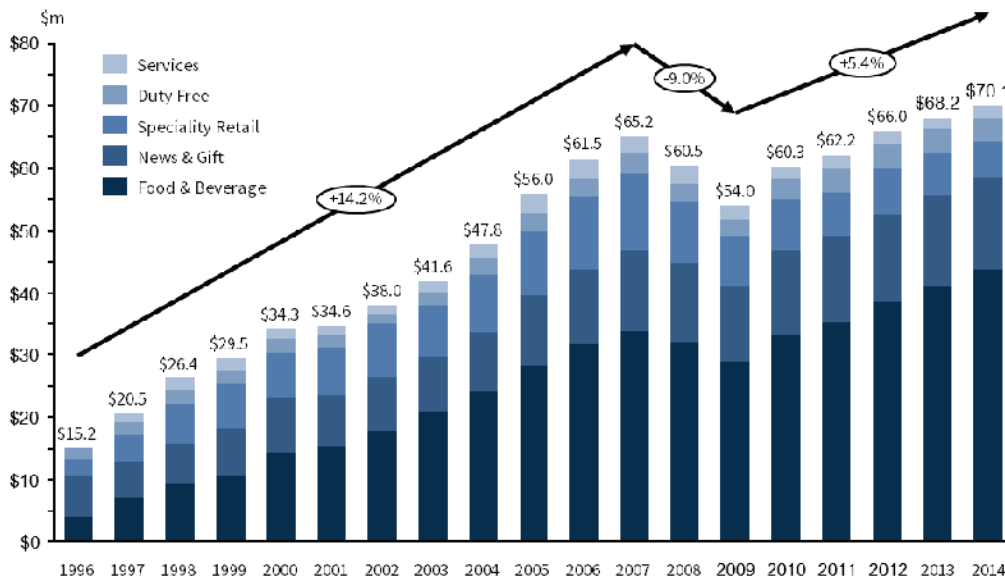
- Food & Beverage – catering has been recognised as a good way to establish a sense of place at a terminal. Successful brands are keen to create bespoke concepts for the different airport environment. Emphasis is on providing clarity of concept, which is even more important in this category than it is for retail, as brands vary considerably by region. Providing a varied offer that caters for various daytimes, cuisines, concepts (grab & go or sit down) and propositions (value or premium) continues to be increasingly important.
- News & Gift – as print media is becoming increasingly side-lined by the widespread use of tablets and e-readers, space requirements for newsstands are decreasing. Gifting, though, is generally becoming more important as a category as retailing becomes more sophisticated and moves away from basic souvenirs (key

rings, t-shirts, fridge magnets) to general gifts and local products (fashion, foods, customised items, and even homeware).

- Duty Free – stores now generally sell duty free and duty paid products, leading to an extended range (often including non-core items such as premium foods, electronics, and local gifts) and availability to all travellers. They increasingly resemble prestigious department stores with impactful retail theatre and regularly changing shop-in-shop pop-ups to maintain an interesting environment even for frequent travellers.
- Speciality Retail – many brands now recognise airports to be a great location to showcase their brand values and USP to millions of relevant potential customers, particularly as more shopping is online and downtown stores are visited less. The very different needs of a diverse passenger base dictate a wide range of retail shops, and products that are tailored to the individual segments. This leads to retailers now demanding increasingly flexible spaces to accommodate the tailored fit outs that are capable of adapting merchandising to match the audience depending on time of day. With progressing regionalisation, less travel will qualify for 'Duty Free', with the result that the retail mix is shifting from a mostly premium proposition to a mid-market retail mix with a focus on local brands.

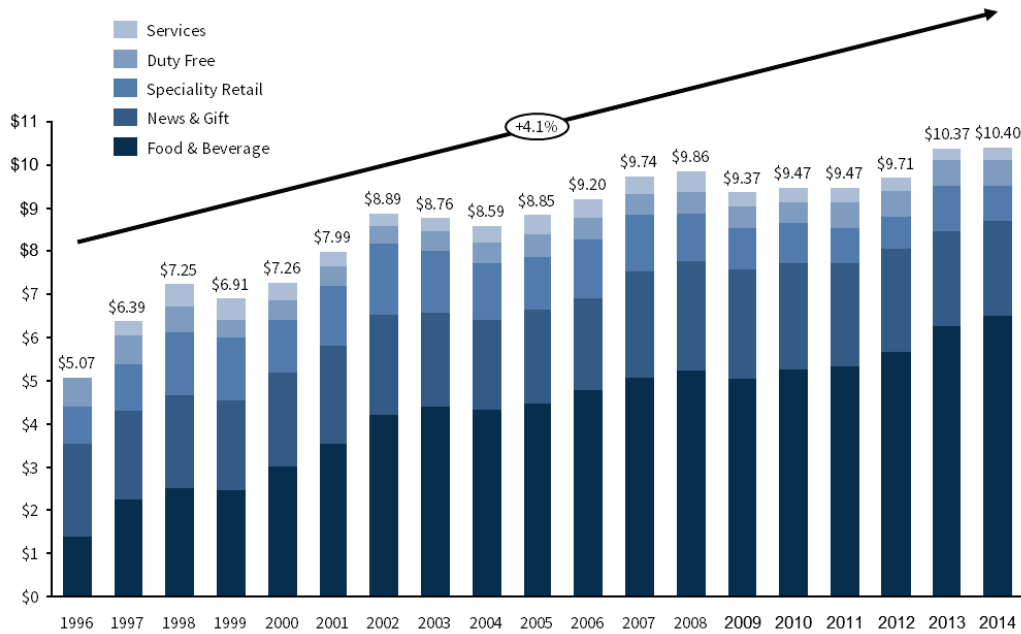
Review of actual concession in-store sales through the till, and therefore passenger spend by category, is useful in order to fully evaluate the performance of the Existing CTB. The figure below shows historic performance of the Existing CTB in terms of concession in-store sales, which shows the rapid growth achieved for each of the periods either side of the downturn between 2007 and 2009, on both a total and per enplaned passenger basis.

Figure 2: Existing CTB Concession Store Sales by Category 1996-2014<sup>1</sup> with CAGRs

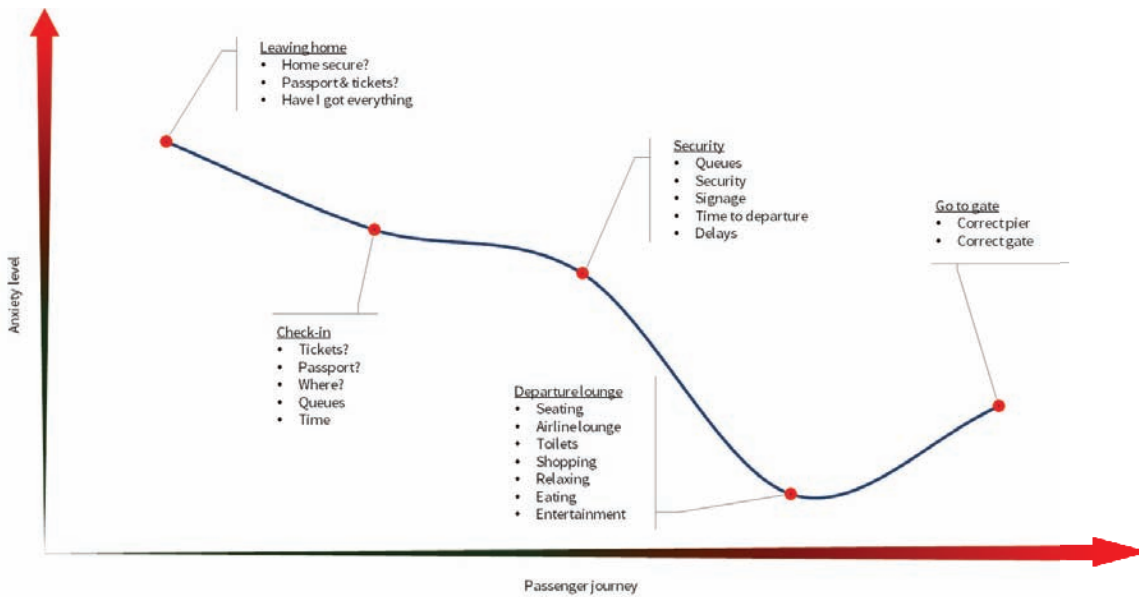


<sup>1</sup> PANYNJ: MPD Tenant Sales Rent Detail 2012, 2015

Figure 3: Existing CTB Concession Store Sales per Enplaning Passenger by Category 1996-2014









Currently almost 70% of the gross leasable commercial space within the Existing CTB is located landside (i.e. pre-security). This is not in line with global best practice, whereby the vast majority of space is located airside as this is where passengers are at their most relaxed, have long dwell times, and therefore have the highest propensity to spend. In addition, a higher yield can generally be negotiated with airside concessions, thereby delivering an increase in revenue to the airport operator.



The review of the Existing CTB conducted in 2012 led to various recommendations put forward as areas of opportunity for growth. These are summarised in the table below.

Table 3: Existing CTB Commercial Review and Potential for Improvements

High Potential  Low Potential

Commercial Impactor	Limitations of Current CTB	Potential Improvements in New CTB	Higher Income Potential
<b>Increase in Concession Space (total and per MEP)</b>	The Existing CTB is under spaced compared to similar domestic US airports, in absolute terms and per million enplaning passengers	There will be a substantial increase in space across all categories, in total and per million enplaning passengers, in the New CTB, with significant income potential	
<b>Layout &amp; Configuration</b>	The current configuration is poor, with c.68% of the space landside, located off primary flow routes, with poor visibility and access	Optimising the layout and configuration in the New CTB is integral to maximising non-aero revenue and income for the new operator	
<b>Category Mix &amp; Product Rationalisation</b>	The category mix in percentage terms is reasonable, but product targeting is awry, there is much duplication, and within-category gaps exist	Analysis suggests up-weighting of Speciality Retail and F&B at the expense of News & Gift and Duty Free, with product targeting by passenger segment	
<b>Concession Management</b>	Marketplace have been in place for many years now, and have made reasonable use of poor space	There is opportunity for better selection of concessionaires within an overall plan for new concession space and terminal branding	
<b>Yields by Concession Category</b>	Most concession rental deals and yields in place at the moment appear reasonable	A significant increase in yield can be targeted in new Speciality Retail space, with increases also feasible in the other core categories	
<b>Passenger Type Mix</b>	There is a good mix of business and leisure travellers, with high average income overall	Major changes to passenger mix are unlikely in the near future; a more targeted, relevant offer would encourage spend across segments	

### New CTB

Whilst there have been some amendments to the commercial space provision and layout within the New CTB, the underlying principles and core design of the commercial space remain as per the bid, guided by global best practice global airport retail principles and strategies, namely:

- The layout and configuration of the commercial areas continue to ensure passengers have maximum exposure to the commercial selection on a minimal number of key flow routes.
- Careful consideration has been given to the sense of place throughout the building to provide a great New York experience for all passengers, staff, and visitors, with a provision for a variety of features and the showcasing of local products and merchants.

- Whilst there has been a reduction in the provision of concession space landside, it is believed that this is still sufficient, particularly when considering the airside provision, to allow a broad, attractive and relevant offer which meets passengers’ needs and desires across all product categories and traveller segments.
- Care to ensure a high quality of space to provide merchants the opportunity to merchandise and display their products to the best advantage, thus increasing demand for space and therefore improved yields.

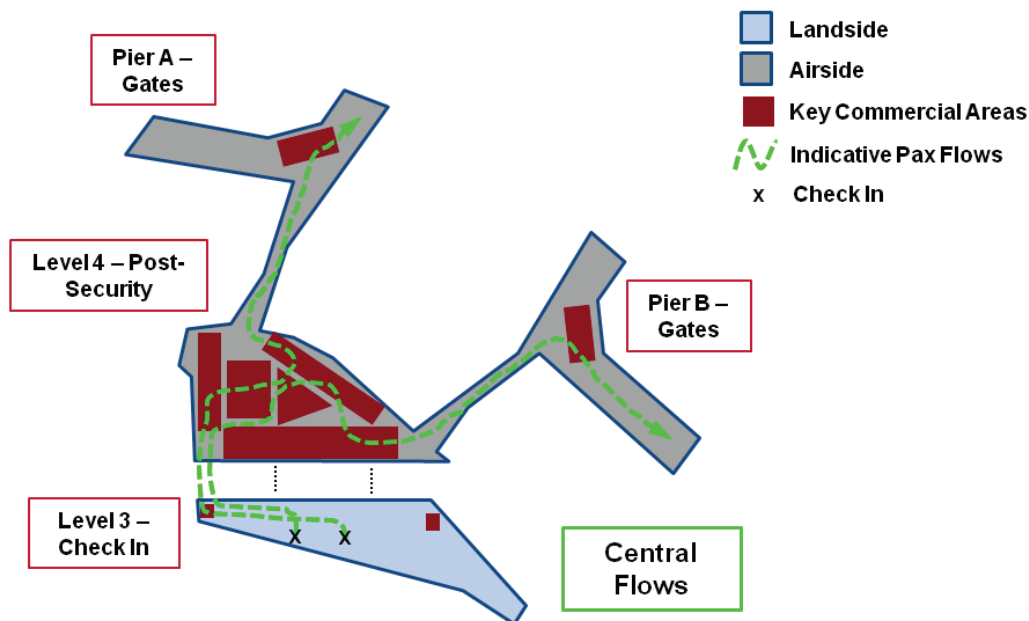
Changes to the commercial strategy have been limited to the physical planning of the terminal, as such the key strategies around the active management and engagement with the concessionaires to ensure a collaborative, mutually-beneficial partnership, the approach to the additional income streams and contractual frameworks remain as per the bid.

LGP has the right to terminate the MarketPlace contract and manage the concession program directly, subject to a payment for unamortized capital expenditure. If this option is executed LGP will retain 100% of rental income from the concessions within the New CTB three months from the date of notification.

### Layout and Configuration

The basic layout of the terminal has remained the same, whereby passengers have a simple and logical journey through the terminal. As shown below, following check-in passengers pass through security and flow up into the main retail space, where they can spend time, relax, eat and shop before moving to the nearby piers and holdrooms, where there are further retail and food & beverage units to cater for their needs while waiting to board.

Figure 4: Layout of New CTB, Key Commercial Areas and Passenger Flow Routes



The commercial space at the New CTB is configured such that passenger spend will be maximised. This is achieved in three key ways, consistent with global best practice:

1. C.96% of concession space is located after security, where propensity for passengers to spend is significantly higher than pre-security.
2. A large majority (c.68%) of the total commercial space is located in one core commercial zone in the main terminal building.

- 100% of passengers enter and are encouraged to dwell in this central retail area immediately following security, which studies have shown is the point at which passengers are at their most relaxed and have the highest propensity to spend.

### Commercial Space

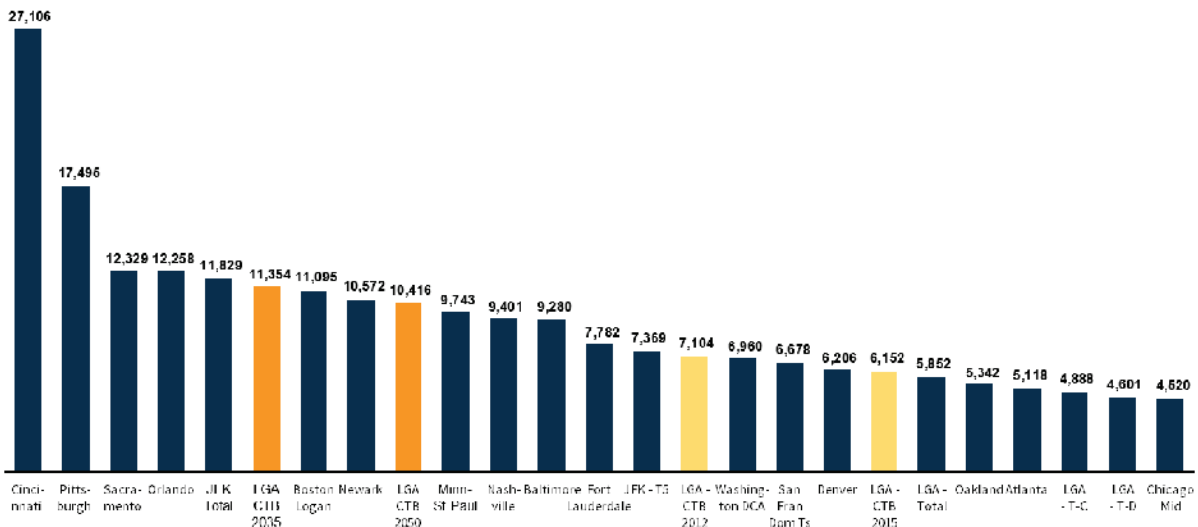
The commercial plan achieves a total of 103,451 sqft of gross leasable space, a 7% increase from the bid. The space provision is summarised below.

Figure 5: Existing and Bid Space vs. New CTB Commercial Space (Sqft) by Category

Category	Existing CTB Space (sq ft)	Bid Space (sq ft)	New CTB Space (sqft)	Change vs. Current %	Change vs. Bid %	Existing CTB Space (%)	New CTB Space (%)
Food & Beverage	26,184	53,984	56,724	117%	5%	59%	55%
Speciality Retail	7,333	24,553	26,896	267%	10%	17%	26%
News & Gift	7,737	13,933	14,374	86%	3%	18%	14%
Duty Free	2,326	4,184	4,992	115%	19%	5%	5%
Services	465	415	465	0%	12%	1%	0%
<b>TOTAL</b>	<b>44,045</b>	<b>97,069</b>	<b>103,451</b>	<b>135%</b>	<b>7%</b>	<b>100%</b>	<b>100%</b>

The increase in the space is significant compared to the current provision at 135% and brings the space provision to within the acceptable range and in line with competing US airports, and therefore presents an opportunity to substantially increase passenger spend.

Figure 6: Total Concession Space per Million Enplaning Passengers for CTB<sup>2</sup> & Competitor Set<sup>3</sup>



<sup>2</sup> LGP, HOK Plans

<sup>3</sup> ARN Factbook 2013



## Model Methodology and Assumptions

### Overview

In order to forecast the effects of the New CTB on concession sales and airport operator income, Pragma has constructed a non-aero revenue and income model, detailing forecasts for all commercial income streams on a periodic basis for the duration of the lease. The model also incorporates the non-aero revenue and income categories of:

- Core Revenue & Income Streams: the forecasting methodology focuses on the key commercial categories, namely: spend on Duty Free, Speciality Retail, News & Gift, and Food & Beverage.
- Additional Income Streams: also included in the model are revenue and income forecasts for other commercial streams (namely Services, contributions to the Marketing Fund and Common Area Maintenance, a Customer Service charge, and any applicable tenant storage fees), all of which 100% of income is received by the airport operator, and those for which income is shared with the PANYNJ (namely Advertising and Telecommunications income).

Projections for the additional income streams are based largely on LGP’s traffic forecasts, any PANYNJ / external information to inform changes in usage / spend over the concession period, and industry standards.

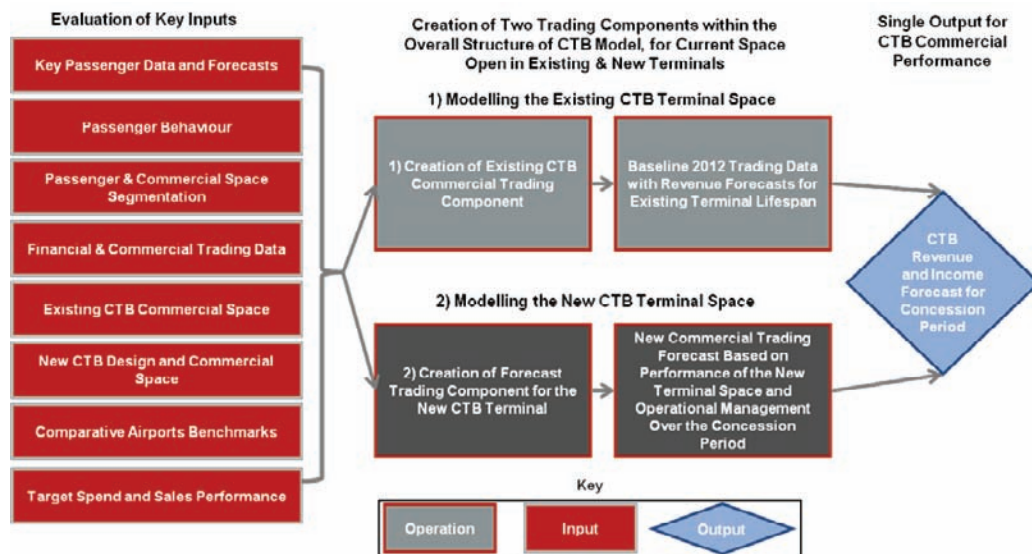
In the case of Advertising income, PANYNJ hold the contract with JC Decaux and therefore will have visibility on the anticipated sales projections. As a result, the PANYNJ forecast of 60% increase on current income has been used in the model projection, which has been validated by similar increases in advertising revenue at Vantage airports (for example, Nassau and Larnaka airports).

In this way, all applicable commercial revenue and income streams are included in the model and thus forecast for the duration of the lease.

### Methodology

The model incorporates one component to forecast the performance of the Existing CTB, and a second to forecast the performance of the New CTB space, the combined output giving the overall CTB revenues, as illustrated in the diagram below.

Figure 7: Pragma Non-Aero Revenue & Income Model Structure





The model is built on revenue and income per passenger, for each income stream. This is based on historical trading data for the Existing CTB space, and a forecast revenue / income per passenger for the New CTB space; the traffic forecast (passenger numbers) is then used to calculate the full terminal revenue and income forecast for each period.

The effect of changes to the commercial programme on revenue, yields and income are included in the model by applying a number of impactors (as a percentage change) to the baseline revenue / income per passenger data, for either the Existing or New CTB as applicable.

The five key impactors on non-aero revenue and income are as follows:

1. Traffic: passenger numbers are a key input into the Pragma revenue forecasting model (applies to both Existing and New CTB). A revised forecast has been included compared to the bid version of the model.
2. Increasing and optimising commercial space: by opening a new larger, superior terminal building, there will be one-off uplifts in passenger spend on the key commercial categories when the new space opens, due to the expansion of commercial areas, the addition of new product sub-categories, optimised flow routes, improved design and layout, and better merchandising of the offer (applies to the New CTB). The forecast revenue achievable within each category for the new space have been updated based on the changes to the terminal plans when compared to the bid.
3. Improved operational practices: as a result of new, better management of the commercial space and individual concessionaires, there is the opportunity for ongoing increases in revenues achieved across all commercial categories (applies to both Existing and New CTB). The levels of improvement on a percentage basis this has remained as per the bid.
4. Better rental negotiations: given the vastly improved commercial space being made available to concessionaires, there is opportunity to improve the yield achieved by the airport operator in terms of rental income possible (applies to the New CTB). The level of the improved yields has remained as per the bid.
5. Inflation: not included in Pragma model.

The relevant commercial impactors (2., 3. and 4. above) are estimated and applied at a granular level, separately for each revenue / income stream where possible (i.e. to spend in each of the core product categories, to both the telecoms and advertising streams, to target yields in each core product category, and to each of the concessionaire contributions to central costs), and separately for both the Existing and New CTB spaces.

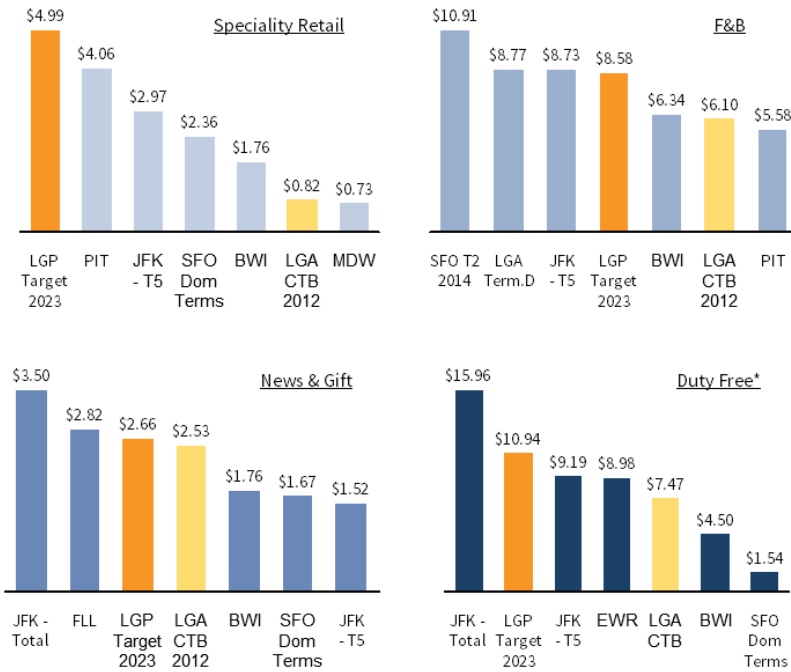
The construction phasing is incorporated in the model according to the concession space that is open in either the Existing and New CTB in any month; as a result, careful consideration of the construction phasing impact on potential passenger spend behaviours and therefore revenues is applied.

## Benchmarking

The forecast levels of spend per enplaning passenger are considered achievable in the context of the increase in space and improved design / layout of the New CTB, and when compared with levels of spend seen at other domestic US airports, and other LGA terminals in the case of F&B.

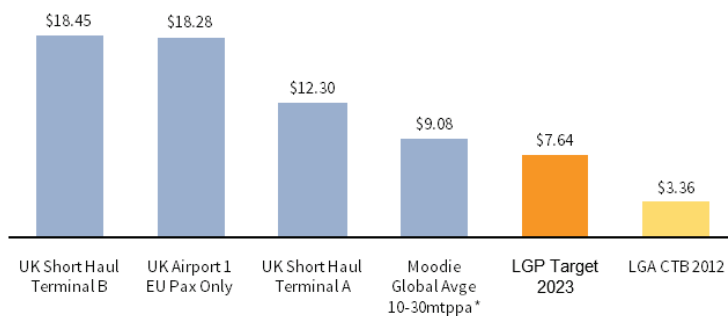
Figure 8: Spend per Enplaning Passenger by Category – New CTB 2023 Forecast & US 2012 Benchmarks except as indicated

\*Duty Free Spend per International Enplaning Passenger



In the case of Speciality Retail, there is no example of global best practice in the US, in terms of layout, merchandising, or mix, and therefore European and global airports should be viewed as the benchmark in this case, where spend levels are considerably higher. The benchmarks available are for all retail except Duty Free, and therefore are shown here as the total of News & Gift and Speciality Retail for true comparability.

Figure 9: Speciality Retail + News & Gift Spend per Enplaning Passengers by Category – Non-US Benchmarks

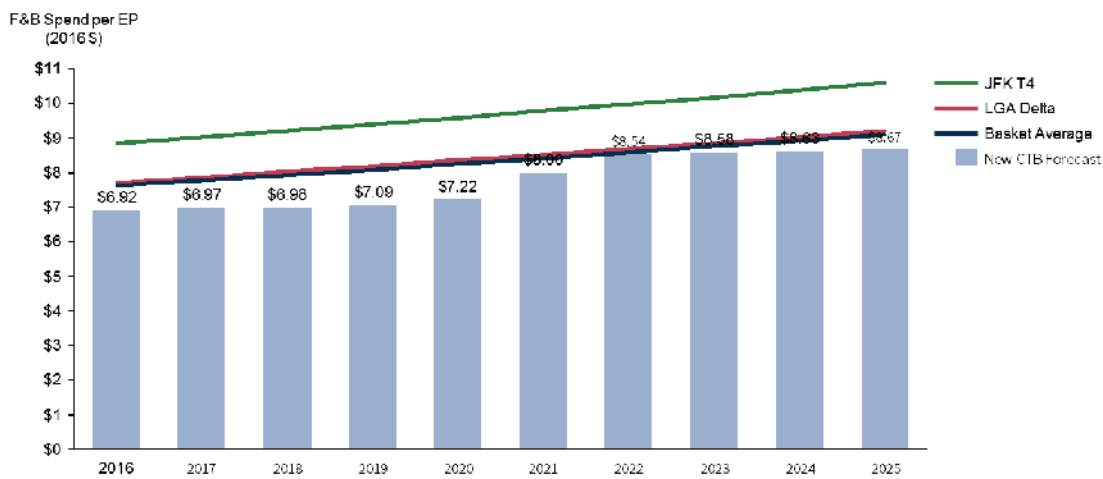


It is apparent that with a high standard of retailing, a relevant and broad offer, and well-located units, there is a good opportunity for US airports in general and the New CTB in particular to emulate other similar airports in the UK (and globally) in raising the amount of spend on Speciality Retail specifically.

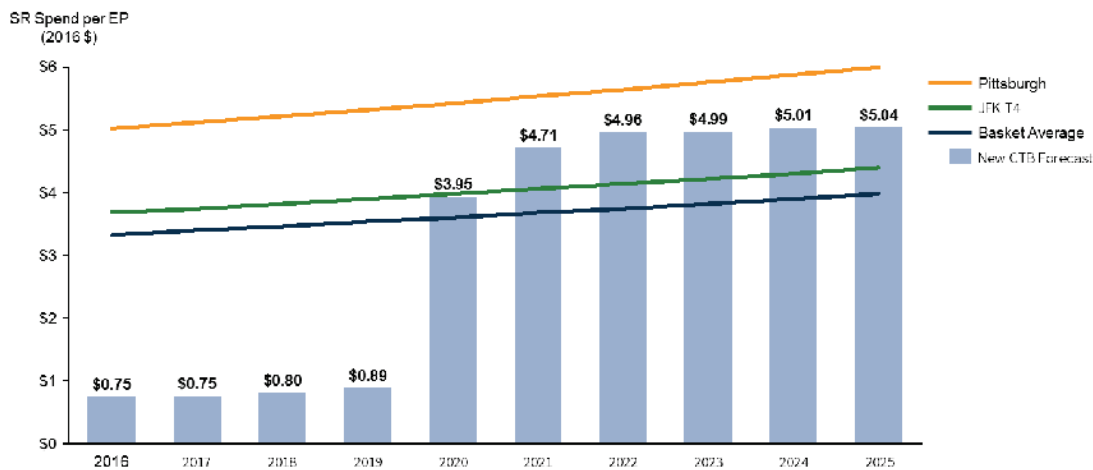
In order to provide a forward benchmark to compare against the forecast evolution of sales per enplaning passenger by category in the New CTB between 2016 and 2025, a basket of similar airport terminals have been chosen and the 2011 actual spend per enplaning passenger increased year on year by a conservative 2% growth per annum.

Figure 10: Spend per Enplaning Passenger by Category – CTB vs Benchmark Forecasts (Grown @ 2% Per Annum) 2016-2025

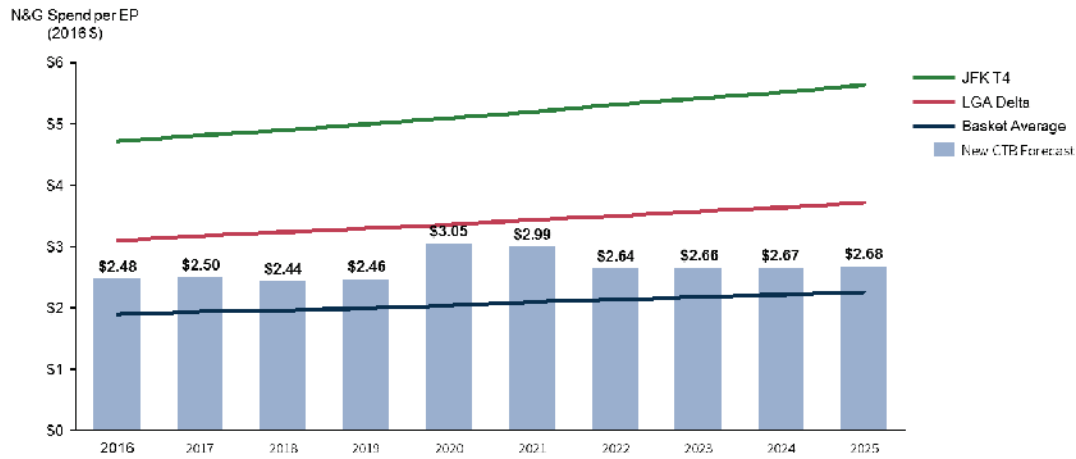
### Food & Beverage



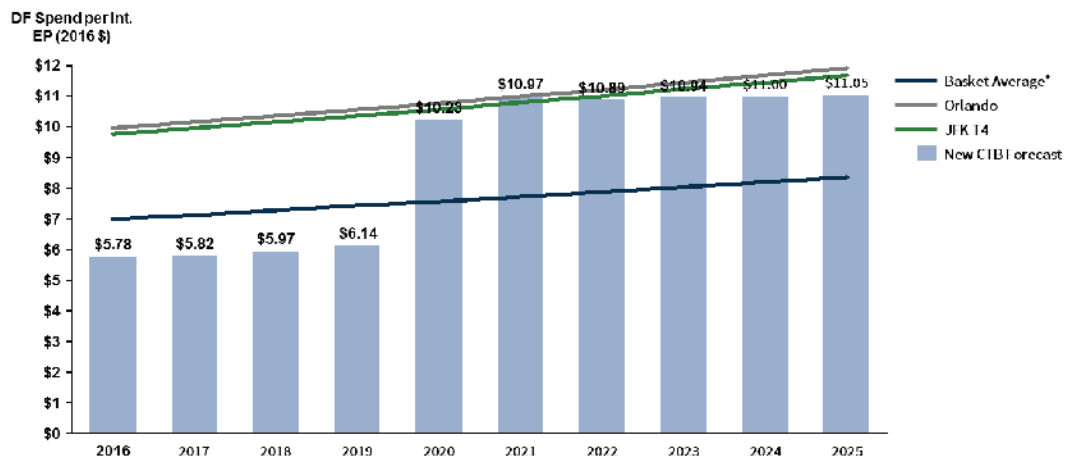
### Speciality Retail



## News & Gift



## Duty Free (spend per enplaning international passenger; \*basket excludes Pittsburgh)

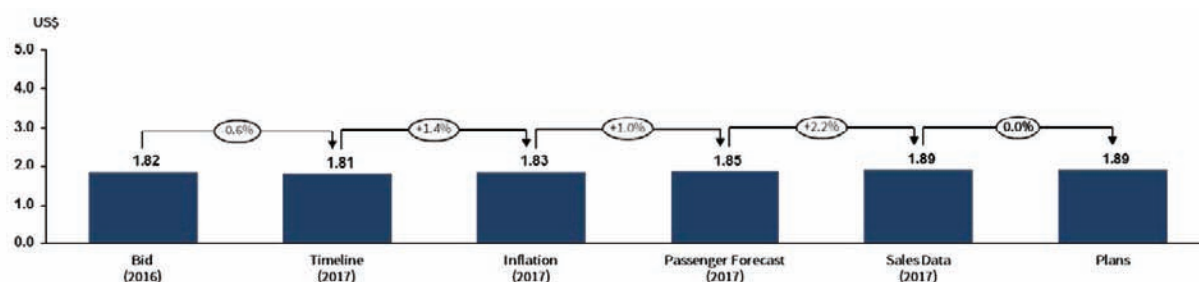


## Revised Model Output

The results shown in this section are the financial outputs (concession sales and airport operator income) of the non-aero model (dated 18<sup>th</sup> March 2016), according to the methodology and assumptions described in the due diligence report. All outputs from this version of the model are in 2016 US dollars.

Figures 11 and 12 compare the first year of operation post financial close (2016 for Bid, 2017 for Revised), and the first full year of operation post substantial completion (2022 for Bid, 2023 for Revised) respectively.

Figure 11: Existing CTB Outputs – LGP Revenue per Enplanement 2016/2017 (First Year Post Financial Close)



### Timeline

The 0.6% decrease in RPEP is a result of the Active Management of Concessions impactor only coming into effect in August after the timeline adjustments have been made, rather than April within the bid version.

### Inflation

The 2012 trading data was inflated by 2.3% to US\$ 2014 within the bid version. This has been adjusted to 3.78% to adjust the model to US\$2016. This results in an increase in RPEP of 1.4%.

### Passenger forecast

Within the new passenger forecasts, the proportion of international passengers has increased from 7.9% to 9.2% which results in an increase in overall RPEP of 1.0%.

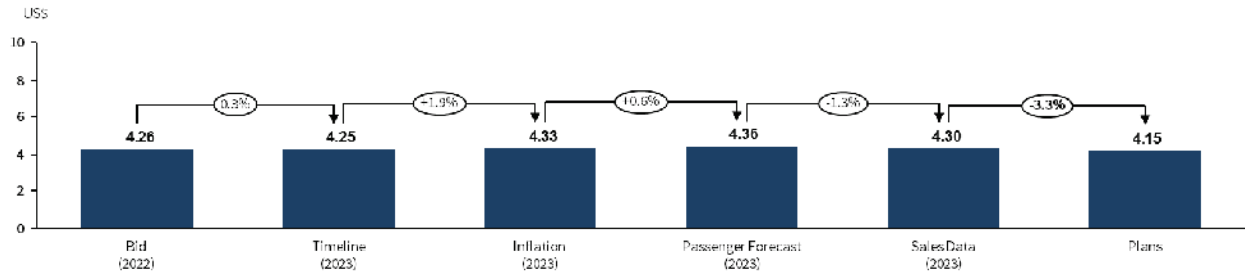
### Sales data

Incorporation of the most recent sales data has had the largest effect on the RPEP, increasing by 2.2%. This is predominantly due to improved F&B performance from July 2014 to June 2015 compared to Jan' to Dec' 2012, mitigated by the decline due to the updated ATM contract with Bank of America compared to that with Wachovia. With the inclusion of the new data, the inflation figure applied to the sales data has been adjusted to 0.62%.

### Plans

The updates to the plans only effect the forecasts for the New CTB.

Figure 12: New CTB Outputs – LGP Revenue per Enplanement 2022/2023 (First Year Post Substantial Completion)



**Timeline**

As the New CTB forecast for Duty Free, Speciality Retail, News and Gift and Food & Beverage are built on a bottom up methodology, and the base assumptions have remained the same, the delay in the timeframe has a negligible effect on overall RPEP (due to 2022 being compared to 2023 and the different number of passengers in these years, there will, however, be an effect on the total revenues received).

**Inflation**

Within the New CTB, those elements based on the bottom up forecast have been inflated by 2.01% (from May 2014 US\$ to Jan’ 2016 US\$). The other elements (not based on the bottom up build e.g. telecoms) are derived from current trading data. This results in an overall uplift in RPEP of 1.9%.

**Passenger forecast**

Within the new passenger forecasts, the proportion of international passengers has increased from 7.9% to 9.2% which results in an increase in overall RPEP of 0.6%.

**Sales data**

Incorporation of the updated sales data has no effect on the Duty Free, Speciality Retail, News & Gift, and Food and Beverage RPEP as these are based on a bottom up forecast. The reduction in the RPEP is predominantly due to a reduction due the updated ATM contract with Bank of America from that with Wachovia.

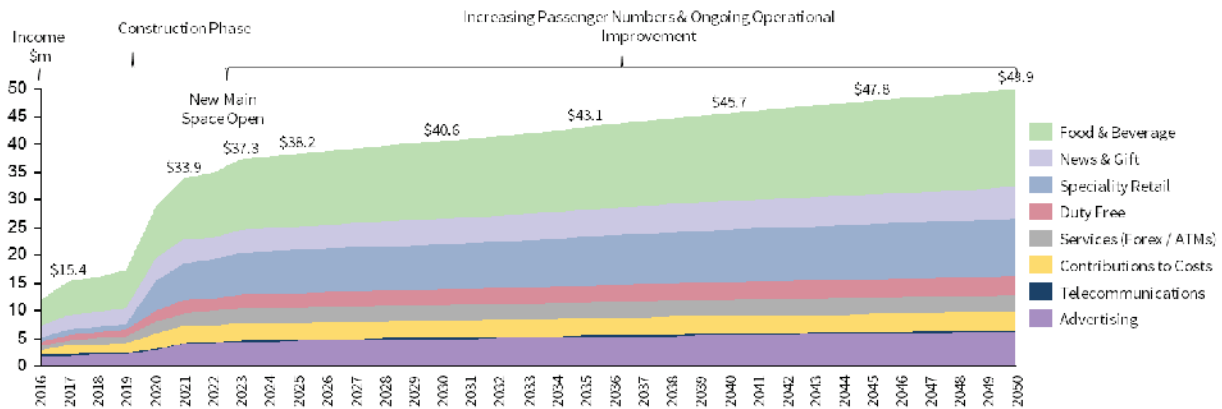
**Plans**

Following changes to the commercial plan from the bid case, there has been an alteration to the flows, adjacencies and overall layout of retail and F&B units, particularly in the level 4 headhouse. This has resulted in a review of the unit level sales forecasts and an overall reduction in the income to the airport operator.

### Forecast Concession Income

The chart below shows forecast 2016-2050 annual concession income by key commercial category (Food & Beverage, News & Gift, Speciality Retail, and Duty Free) and for Services (financial services, ATMs, mobile and pop-up shops, third party business lounge, and valet parking), Telecommunications, and Advertising, with the key increases occurring as the new space is opened.

Figure 13: LGP Forecast Revenues by Category



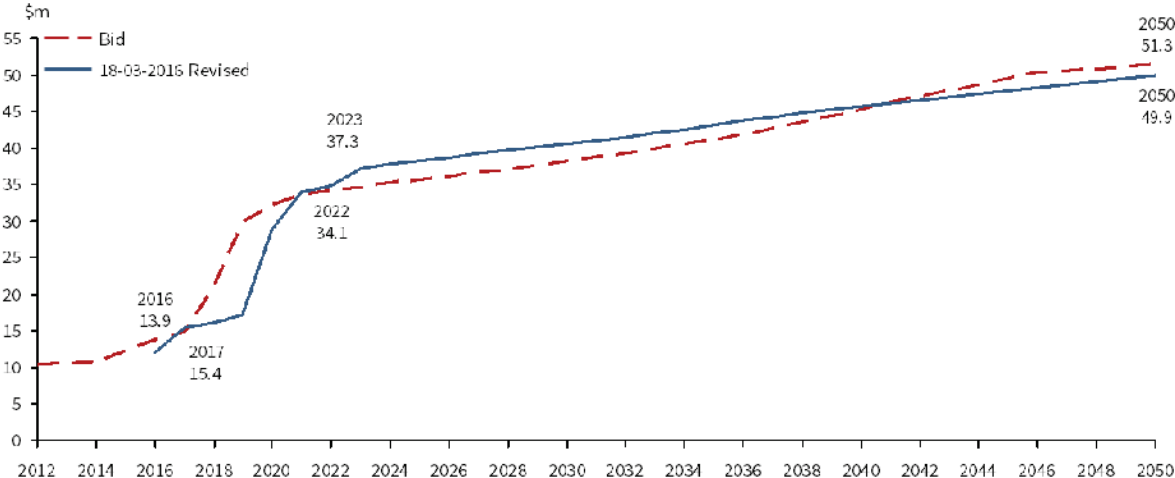
The table below shows the spend per enplaning passenger for the Bid case and the Revised by category for the first year post completion (2016 in Bid vs. 2017 in Revised) and the first full year post substantial completion (2022 in Bid vs. 2023 in Revised), achieving \$12.11 in the Existing CTB before it closes, whilst the New CTB achieves \$20.51.

Table 4: Spend per Enplaning Passenger – Bid case vs. Revised

Category	Bid 2016 (2014 \$)	Revised 2017 (2016 \$)	% change	Bid 2022 (2014 \$)	Revised 2023 (2016 \$)	% change
Food & Beverage	6.17	6.97	12.9%	9.12	8.58	-5.9%
News & Gift	2.56	2.50	-2.3%	2.63	2.66	1.0%
Speciality Retail	0.83	0.75	-9.5%	5.01	4.99	-0.5%
Duty Free	0.60	0.54	-10.3%	0.85	1.01	19.1%
Services	0.34	0.38	10.4%	1.69	1.70	0.5%
Telecommunications	0.03	0.03	0.5%	0.03	0.03	0.5%
Advertising	0.98	0.95	-3.1%	1.59	1.54	-2.9%
<b>Total</b>	<b>11.51</b>	<b>12.11</b>	<b>5.2%</b>	<b>20.92</b>	<b>20.51</b>	<b>-2.0%</b>

When comparing the performance of the Bid and Revised cases across the concession period, between the 2021 and 2040 the revised case outperforms the bid due to the higher passenger numbers, however the opposite is true from 2041 to 2050 where the revised case falls slightly below that of the bid, again predominantly due to the effect of the change in the passenger forecast.

Table 5: LGP Revenue Bid vs. Revised





# LaGuardia Airport – Central Terminal Building Replacement Project



## Commercial Strategy & Revenue Model

6<sup>th</sup> May 2014

Prepared for LaGuardia Gateway Partners / Lenders' Technical Advisors

*Prepared by Pragma Consulting Ltd*



## Disclaimer

This Report is supplied on the understanding that it is for the sole use of the party to whom it is addressed and their advisors.

1. This Report was commissioned by LaGuardia Gateway Partners (LGP).
2. The report has been based on primary and secondary market research and analysis of information supplied by LGP and the Port Authority of New York and New Jersey (PANYNJ).
3. Projected market and financial information and conclusions contained in the Report are not guaranteed by Pragma Consulting Limited.
4. The Report contains information provided by LGP, its management team, its advisors, and the PANYNJ
5. Pragma Consulting Limited has accepted all such research, financial information and other information provided without making further enquiries as to its completeness or accuracy.
6. Any observations, analyses, comments, conclusions and recommendations are those of the authors, and are made in good faith based on what we observed and the information we had access to. We cannot, however, give any warranties or guarantees as to the accuracy or appropriateness of the content thereof, and the information in, the report.
7. Any strategic, operational, financial, investment or other decisions that LGP or other third parties may make as a consequence of having access to this information are made entirely at the risk of those individuals or organisations making those decisions, and Pragma Consulting Ltd. cannot be held liable for any losses, costs, expenses or damages, direct or indirect, that may be sustained in the course of making, or as a result of making, such decisions.
8. Pragma Consulting authorizes the inclusion of this report in a Preliminary Official Statement and Final Official Statement prepared and used in connection with the offering and sales of those Bonds to be publicly offered, and in private placement documents prepared in connection with the private placement of those Bonds to be privately placed.

Pragma Consulting Limited

May 2014

**Contents**

1. Executive Summary .....1

2. Project Background & Scope of Work .....2

    2.1 Background .....2

    2.2 Scope of Work.....2

3. Existing CTB.....3

    3.1 Passenger Base.....3

    3.2 Historic Commercial Performance – Concession Sales.....5

    3.3 Historic Commercial Performance – Airport Operator Income .....8

    3.4 Commercial Offer .....10

    3.5 Layout & Configuration .....12

    3.6 Commercial Review – Summary .....13

    3.7 Commercial Strategy to Closure .....13

4. Demolition & Construction Phasing .....15

5. New CTB.....16

    5.1 Layout & Configuration .....16

    5.2 Commercial Space.....19

    5.3 Commercial Offer .....21

    5.4 Additional Income Streams.....22

    5.5 Contractual Framework .....23

6. Model Methodology & Assumptions .....23

    6.1 Overview .....23

    6.2 Methodology.....24

    6.3 Commercial Impactors .....25

        6.3.1 Increasing and Optimising Commercial Space .....25

            6.3.1.1 Benchmarking of Forecast Sales by Category .....27

        6.3.2 Improved Operational Practices .....29

        6.3.3 Better Rental Negotiations .....30

    6.4 Other Key Assumptions.....31

7. Base Case Results (Pragma Non-Aero Model V5.4) .....32

    7.1 Forecast Concession Sales.....32

    7.2 Airport Operator Income .....33

    7.3 Bridge Analysis .....34

    7.4 Commercial Scenarios.....35

APPENDIX I – Pittsburgh Airport / Airmall Case Study .....37

**Tables**

Table 1: Existing CTB Concession Yields by Category..... 8

Table 2: Existing CTB Commercial Space (sq ft) by Product Category versus Key Benchmarks ..... 11

Table 3: Existing CTB Commercial Review and Potential for Improvements..... 13

Table 4: Total Commercial Space (sq ft & %) in the Existing and New CTBs by Construction Phase & Category..... 14

Table 5: Demolition of Existing CTB & Construction of New CTB by Phase – Commercial Space Impact (sq ft)..... 15

Table 6: Existing CTB versus New CTB Commercial Space (sq ft) by Product Category ..... 21

Table 7: Sales per Enplaning Passenger by Category for Existing (2012) and New CTB (2021)..... 26

Table 8: Forecast % Uplifts in Concession Revenue at Existing and New CTBs 2015-2050 ..... 30

Table 9: Current and Forecast Concession Yields by Category ..... 30

Table 10: Non-Aero Revenue Model V4 Other Key Assumptions..... 31

Table 11: Spend per Enplaning Passenger by Category at Key Stages of Lease Period (2014 \$)..... 33

Table 12: Commercial Scenarios ..... 35

Table 13: Pittsburgh Speciality Retail Tenants 2011..... 38

**Figures**

Figure 1: LGA Existing and New CTB Enplaning Passengers 2009-2013 Actual, 2014-2050 Forecast (millions) ..... 3

Figure 2: Existing CTB Enplaning Passengers Relative Commercial Contribution by Destination & Trip Type..... 4

Figure 3: LGA Existing CTB Passenger Profile 2013..... 4

Figure 4: Existing CTB Concession Store Sales by Category 1996-2012 (nominal \$m) with CAGRs ..... 6

Figure 5: Existing CTB Commercial Space & Productivity (nominal \$m) 1996 – 2012 ..... 6

Figure 6: Existing CTB Concession Store Sales per Enplaning Passenger by Category 1996-2012 (real 2009 \$)..... 7

Figure 7: Spend (in 2012 \$) by Concession Category per Enplaning Passenger by Category at Existing CTB versus Benchmark Airport Set..... 7

Figure 8: PANYNJ Existing CTB Terminal Concession Income by Category 2012 (\$m) ..... 9

Figure 9: PANYNJ Existing CTB Non-Aero Income by Type 2007-2012 per Project Briefing Book (nominal \$m) ..... 9

Figure 10: Bridge Analysis from 2012 Concession Sales to 2012 PANYNJ Non-Aero Income (2012 \$m) ..... 10

Figure 11: Total Concession Space (sq ft) per Million Enplaning Passengers for CTB Competitor Set..... 11

Figure 12: Layout of Existing CTB, Key Commercial Areas and Passenger Flow Routes..... 12

Figure 13: Layout of New CTB, Key Commercial Areas and Passenger Flow Routes..... 17

Figure 14: Comparison Airports – Retail Design & Layout (Main Retail Areas Shaded Red) ..... 18

Figure 15: Speciality Retail 2011 Spend per Enplaned Passenger and Category Space by Airport Terminal ..... 18

Figure 16: Total Concession Space (sq ft) per Million Enplaning Passengers for CTB & Competitor Set ..... 19

Figure 17: Spend per Passenger (Real 2009 \$ on Total Passenger basis) 1996-2012 Existing CTB and 2021 New CTB vs Existing and New CTB Commercial Space ..... 20

Figure 18: Current & Planned CTB Commercial Space per Million Passengers (sq ft) 2012-2050 ..... 20

Figure 19: Pragma Non-Aero Revenue & Income Model – Existing and New CTB Components ..... 24

Figure 20: Spend per Enplaning Passenger by Category – New CTB 2021 Forecast & US 2012 Benchmarks except as indicated (all 2014 \$) ..... 26

Figure 21: Speciality Retail + News & Gift Spend per Enplaning Passengers by Category – Non-US Benchmarks (2014 \$) ..... 27

Figure 22: Spend per Enplaning Passenger by Category – CTB Actual & Forecast vs Benchmark Forecasts (Grown @ 2% Per Annum) 2011-2021 (all 2012 \$) ..... 28

Figure 23: Actual (2012) and Forecast (2013-2050) Annual Concession Sales by Category (2014 \$m) ..... 32

Figure 24: Actual (2012) and Forecast (2013-2050) Annual Airport Operator Income by Category (2014 \$m) ..... 33

Figure 25: Breakdown of Actual (2012) and Forecast (2021, 2050) Operator Income by Category (2014 \$m)..... 34

Figure 26: Airport Operator Income Bridge Analysis 2012-2021-2050\* (2014 \$m)..... 35

Figure 27: Impact of Commercial Scenarios on Airport Operator Income 2012-2050 (2014 \$m) ..... 36

## Glossary of Terms

<b>ACDBE</b>	Airport Concession Disadvantaged Business Enterprise
<b>Airport Operator</b>	Entity holding the lease with the PANYNJ to operate LGA airport for the lease period, in this case assumed to be LaGuardia Gateway Partners
<b>Common Area Maintenance (CAM)</b>	Charge payable by concessionaires to the airport operator as their contribution to operating costs
<b>Concession</b>	Individual commercial unit available for rent within the terminal building, specifically retail, food & beverage, duty free, and financial services units
<b>Concessionaire</b>	Provider of concession goods and services
<b>Existing CTB</b>	The existing Central Terminal Building, to be operated by the Lease holder until demolished
<b>Lease</b>	The agreement to be entered into by the PANYNJ and the successful bidder to undertake the project
<b>LGA CTB</b>	LaGuardia Airport Central Terminal Building
<b>Income</b>	Those rental monies received by the airport operator from the concessionaire, being the greater of the MAG and the contractually agreed percentage of revenue
<b>Minimum Annual Guarantee (MAG)</b>	Contractually agreed minimum annual rental payment from the concessionaire to the airport operator
<b>New CTB</b>	The new Central Terminal Building, to be constructed and operated by the Lease holder until the end of the lease period
<b>Non-Aero</b>	All applicable commercial revenue streams available to the airport operator as per the PANYNJ lease
<b>Phasing</b>	The closing of existing space in the Existing CTB, and opening of new concession space within the New CTB, according to the construction schedule
<b>PANYNJ</b>	The Port Authority of New York and New Jersey
<b>Revenue</b>	Sales achieved by concessionaires
<b>Traffic</b>	Number of passengers passing through the terminal building
<b>Yield</b>	The contractually agreed percentage of revenue payable by the concessionaire to the airport operator (if above the MAG)

## 1. Executive Summary

- LaGuardia Gateway Partners (LGP) are submitting a proposal for the LaGuardia Airport (LGA) Central Terminal Building (CTB) replacement project. Pragma Consulting has been engaged as Commercial Advisor to work with LGP to develop the optimum commercial concession space and forecast revenues in the Existing CTB up to closure and New CTB from opening.
- The CTB is a mature predominantly domestic terminal at LGA, with an even split of passengers by trip type of business, vacation, or visiting friends/relatives, and with a higher proportion of male, older travellers.
- The Existing CTB had 64 concession units across four core product categories, and 9 ATMs in 2012, achieving \$66m in through the till revenue for tenants, the majority from Food & Beverage sales. This equated to an average spend per enplaning (departing) passenger (SPEP) of \$10.19, a figure which has increased at a compound annual growth rate of 4.1% since 1996.
- Compared to other similar US airports, the Existing CTB achieves above average levels of SPEP in the News & Gift and Duty Free categories, below average SPEP for Food & Beverage, and very low levels of SPEP in Speciality Retail, where the offer is limited and the range is weak.
- The concession programme has been run by MarketPlace Development for the PANYNJ over the past 20 years. Concessionaires paid rent totalling \$11.9m in 2012 to MarketPlace, who retained c.21% of this concession income per annum as their fee. The PANYNJ received the balance of \$9.4m, of which they paid a proportion to the airlines (\$2.7m or 29% in 2012); the PANYNJ also received \$4.1m in advertising and telecommunications income in 2012, giving a non-aero total income of \$10.8m.
- The new airport operator will receive all concession income if MarketPlace were to be removed as master concessionaire, will not pay an airline share on New CTB incomes, but will pay 50% of advertising and 80% of telecommunications income to the PANYNJ. In addition, the new operator will receive additional income from concessionaires from a Common Area Maintenance charge, a marketing contribution, and a storage fee, although much of this will be on a pass-through basis.
- The Existing CTB currently has a total of 45,977 square feet of gross leasable commercial space across the main building and the four concourses, with the majority of units located pre-security, which is not optimum as passengers spend most after passing through security. The terminal is underspaced compared to other US domestic terminals and industry standard guidelines, which results in reduced spending by passengers through lack of breadth and depth of offer.
- The New CTB is designed and will be managed according to global airport best practice commercial principles, in order to enhance the customer experience and maximise passenger spend and thus commercial revenues:
  - The provision of sufficient high quality space to allow a broad relevant offer, with total commercial area more than doubling to c.97,000 sq ft, configured to ensure passengers have maximum exposure to the selection on a minimal number of key flow routes
  - The inclusion of a sense of place, providing a great New York experience for all
  - The location of c.95% of commercial space airside, with a main central retail and relaxation space entered by all travellers immediately after security, where passengers have the highest propensity to spend
  - The adoption of an active management approach in terms of engagement with concessionaires
- The transition from the Existing to the New CTB will be accomplished in a small number of demolition / construction phases between 2015 and 2021. The key transition is the closure of the existing headhouse and opening of the new main commercial space overnight in 2018.
- The New CTB will devote c.56% of commercial space to Food & Beverage concessions, 25% to Speciality Retail, 15% to News & Gift, and 4% to Duty Free. Novel commercial concepts to be included are the Travel Value area and a new department store to mimic New York's great history of retail.
- Concession sales and airport operator income at the Existing and New CTB have been forecast using two detailed models, taking into consideration current performance, the effect of increasing and optimising space, improved operational practices, and better rental negotiations.
- The output of the model forecasts non-aero sales to increase from \$74m in 2012 to \$238m in 2050, and airport operator income to rise from \$10.4m in 2012 to \$51.3m in 2050 (at constant prices).

## 2. Project Background & Scope of Work

### 2.1 Background

LaGuardia Gateway Partners (LGP) engaged Pragma Consulting in August 2013 to act as Commercial Advisor on the proposal submission to the PANYNJ concerning the LaGuardia Airport Central Terminal Building (CTB) Replacement Project.

The project involves the design, build, finance, operation, and maintenance of the Existing and New CTB over the lease period. The Existing CTB will be decommissioned and the New CTB built and opened in phases over a c.5 year period from 2015, and then operated until the end of the lease in 2050.

A key income stream for LGP in the Existing and New CTB is the provision of a high quality commercial environment that delivers both maximum satisfaction for passengers and therefore optimises commercial income generation (which comprised c.24%<sup>4</sup> of Existing CTB income in 2012).

Commercial income is achieved largely through concessionaires paying rent (the higher of an agreed minimum or percentage of concession revenue) to Marketplace, or the airport operator if the option to terminate the Marketplace contract were to be executed, and thus the aim is to maximise concession space (up to a maximum space supportable for the number of passengers) and sales at those concessions. Other revenue streams consist of the selling of advertising space and telecommunications services, the revenue of which under the lease will be shared with the PANYNJ (50% of advertising and 20% of telecoms income will be paid to the PANYNJ).

As specialist consultants in airport retail master planning, passenger insight, commercial space and revenue modelling, Pragma has been tasked with providing key inputs to the project team to assist in creating the optimum commercial concession space in the CTB and forecasting resulting revenues.

LGP will take over the running of the CTB from the start of the lease in 2015, and implement a detailed plan to maximise revenues. To that end, LGP and Pragma have developed commercial strategies for both the Existing CTB up to closure, and the New CTB from opening, in terms of concessionaire management, optimal space design and layout, and product category mix planning, for the current and future passenger base.

### 2.2 Scope of Work

Pragma has provided the following key inputs:

- Profile and segmentation of existing passenger base and insight into current and potential visit and spend behaviours
- Commercial revenue and income forecast model for both the Existing and New CTB
- Design and layout of commercial space within the New CTB, and optimization of commercial space in the Existing CTB during the phased construction period, in conjunction with detailed concession space and category planning
- Definition and creation of terminal brand experience and concept, to inform commercial strategy and concession mix

In order to deliver the above inputs, we have undertaken the following workstreams:

- Analysis of all commercial information provided by the PANYNJ, and review of Existing CTB commercial facilities
- Detailed online survey of 1,172 passengers who passed through LaGuardia Airport in the last 12 months
- Comparison of LGA and the CTB commercial facilities and performance with benchmark US and global airports

Overall, the Pragma work programme constitutes a commercial due diligence study of the Existing and New CTB design and performance, with a view to creating the optimum commercial concession space and maximising revenue.

---

<sup>4</sup> PANYNJ: LGA CTB Revenues 2008 to 2013



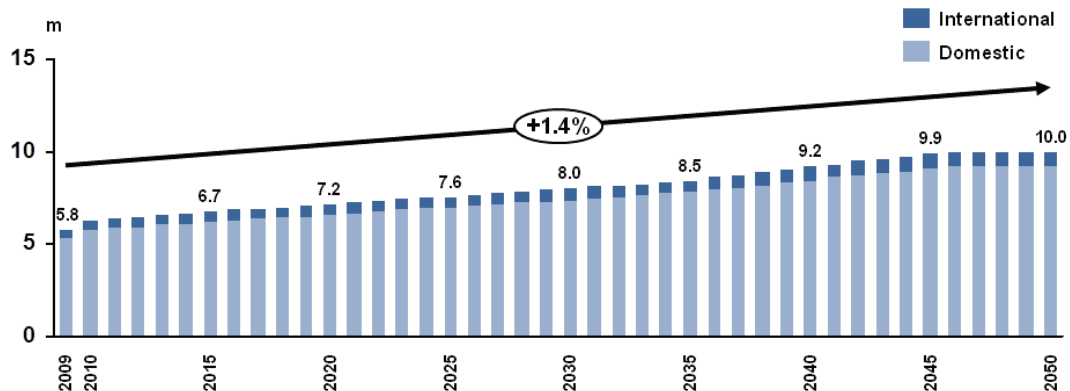
### 3. Existing CTB

#### 3.1 Passenger Base

The Existing CTB served a total of 13.1m passengers in 2013, of which 50.1% or 6.6m were enplaning (departing) passengers. International passengers accounted for only 7.9% of total and enplaning passengers, which illustrates that this is a predominantly domestic terminal.

There is forecast to be a compound annual growth rate of 1.4% in enplaning passengers between 2009 and the end of the lease in 2050, resulting in an estimated 10.0m enplaning passengers in 2050, an increase of 51% on 2013.<sup>5</sup>

Figure 14: LGA Existing and New CTB Enplaning Passengers 2009-2013 Actual, 2014-2050 Forecast (millions)<sup>6</sup>



The number of passengers passing through the terminal and their profile (e.g. international travellers spend more than domestic passengers) is a key determinant of commercial revenues and airport operator income. The aeronautical and route strategy employed by the operator can impact passenger traffic volumes and passenger composition (e.g. introduction of higher spending holiday-focused routes).

Low cost carrier (LCC) passengers are reported to comprise 35% of travellers at the existing CTB. LCC passengers tend to have a slightly shorter dwell time than full service carrier (FSC) passengers, likely to be driven by the short-haul nature of their trip (and thus less likely to be a factor at the CTB). This may result in a lower retail spend per passenger, but food & beverage spend per passenger is generally on a par with, if not above that of FSC passengers. Total spend for LCC passengers may be slightly lower than that of FSC passengers, but as the lines between the services offered by the differing carriers become increasingly blurred for passengers, any small effect is becoming even less of a factor. It should be noted that trip type rather than carrier type is likely to have a larger impact on spend. In addition to the higher propensity to spend of international passengers, it is generally the case that holiday makers spend more than business passengers and those visiting friends and relatives.

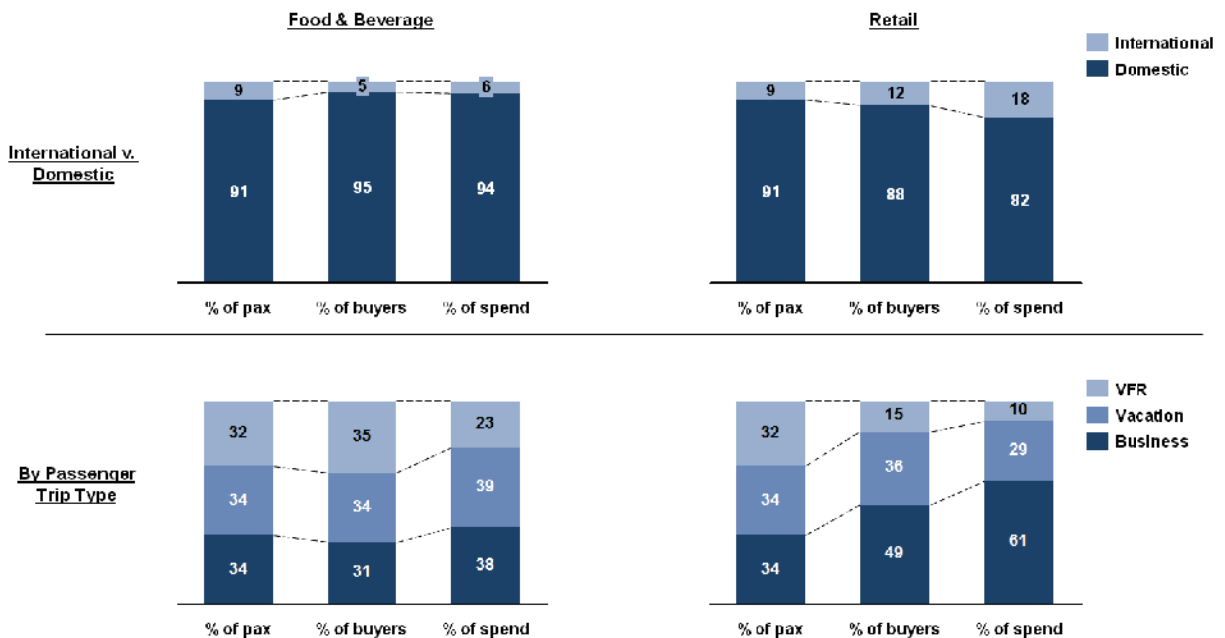
This does not currently appear to be the case at the Existing CTB, where recent passenger survey data indicates that business passengers account for much concession spend, particularly from retail rather than F&B concessions, as shown on the chart below, which also shows how international passengers account for a higher proportion of spend compared to their proportion of passengers. Please note that the proportion of spend percentages should be viewed as indicative due to the relatively small sample sizes of buyers that occurred in the survey.

<sup>5</sup> Oliver Wyman Traffic Forecast v4.0

<sup>6</sup> Oliver Wyman Traffic Forecast v4.0



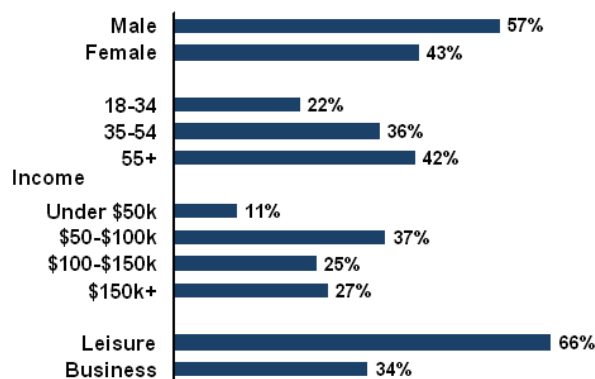
Figure 15: Existing CTB Enplaning Passengers Relative Commercial Contribution by Destination & Trip Type<sup>7</sup>



The relatively high spend of business passengers is likely due in part to the location of the retail offer in the Existing CTB, which is poorly situated pre-security. Business users are frequent visitors to the airport and thus will know where the shops are located, compared to less frequent leisure travellers who will want to get through security so they can relax, but then find a very limited retail offer to browse. In addition, there is a narrow speciality retail offer currently available, with few relevant products for holidaymakers. This therefore represents an opportunity within the New CTB to improve both the breadth and relevance of the offer, and the location of stores to ensure that all passengers get the opportunity to shop.

The online survey of passengers who had used the Existing CTB in the last 12 months, undertaken by Pragma in September 2013, indicates that the terminal has a higher proportion of male passengers than female, that the majority of passengers are aged over 35 years, and that just over half of passengers earn more than \$100k per annum. Approximately a third of passengers are travelling for business purposes. Given the fact that the airport and local market is mature and stable, substantial changes in the passenger profile are not considered likely in the next decade at a minimum.

Figure 16: LGA Existing CTB Passenger Profile 2013<sup>8</sup>



<sup>7</sup> Pragma LGA Passenger Online Survey, September 2013

<sup>8</sup> Pragma LGA Passenger Online Survey, September 2013

### 3.2 Historic Commercial Performance – Concession Sales

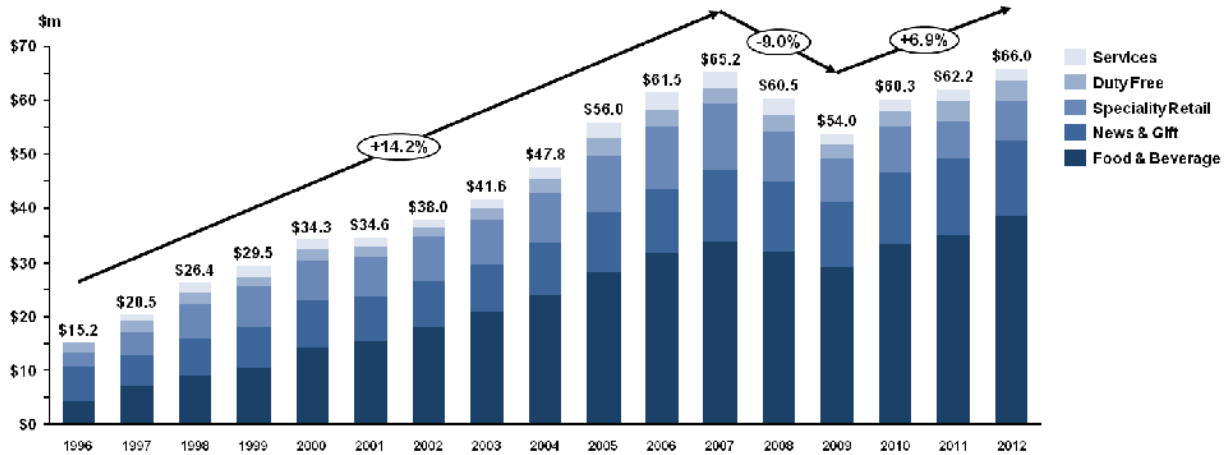
The Existing CTB had 64 concession units, across all product categories, and 9 ATMs in 2012. Terminal concessions are split into four core product categories, namely Food & Beverage, News & Gift, Duty Free, and Speciality Retail (the latter which includes clothes, accessories, electronics, jewellery, and health & beauty), and Services, which includes foreign exchange kiosks and ATMs (in the future, this Services element will also include revenues from pop-up shops and mobile retail kiosks in the New CTB, and from valet parking and other VIP services).

Considering recent airport trends in each of these four core product categories:

- Food & Beverage – catering has been recognised as a good way to establish a sense of place at a terminal. Successful brands are keen to create bespoke concepts for the different airport environment. Emphasis is on providing clarity of concept, which is even more important in this category than it is for retail, as brands vary considerably by region. Providing a varied offer that caters for various daytimes, cuisines, concepts (grab & go or sit down) and propositions (value or premium) is likely to become more important in future.
- News & Gift – as print media is becoming increasingly sidelined by the widespread use of tablets and e-readers, space requirements for newsstands are decreasing. Gifting, though, is generally becoming more important as a category as retailing becomes more sophisticated and moves away from basic souvenirs (key rings, t-shirts, fridge magnets) to general gifts and local products (fashion, foods, customised items, and even homeware).
- Duty Free – stores now generally sell duty free and duty paid products, leading to an extended range (often including non-core items such as premium foods, electronics, and local gifts) and availability to all travellers. They increasingly resemble prestigious department stores with impactful retail theatre and regularly changing shop-in-shop pop-ups to maintain an interesting environment even for frequent travellers.
- Speciality Retail – many brands now recognise airports to be a great location to showcase their brand values and USP to millions of relevant potential customers, particularly as more shopping is online and downtown stores are visited less. The very different needs of a diverse passenger base dictate a wide range of retail shops, and products that are tailored to the individual segments. This leads to retailers now demanding increasingly flexible spaces to accommodate the tailored fit outs that are capable of adapting merchandising to match the audience depending on time of day. With progressing regionalisation, less travel will qualify for 'Duty Free', with the result that the retail mix is shifting from a mostly premium proposition to a mid-market retail mix with a focus on local brands.

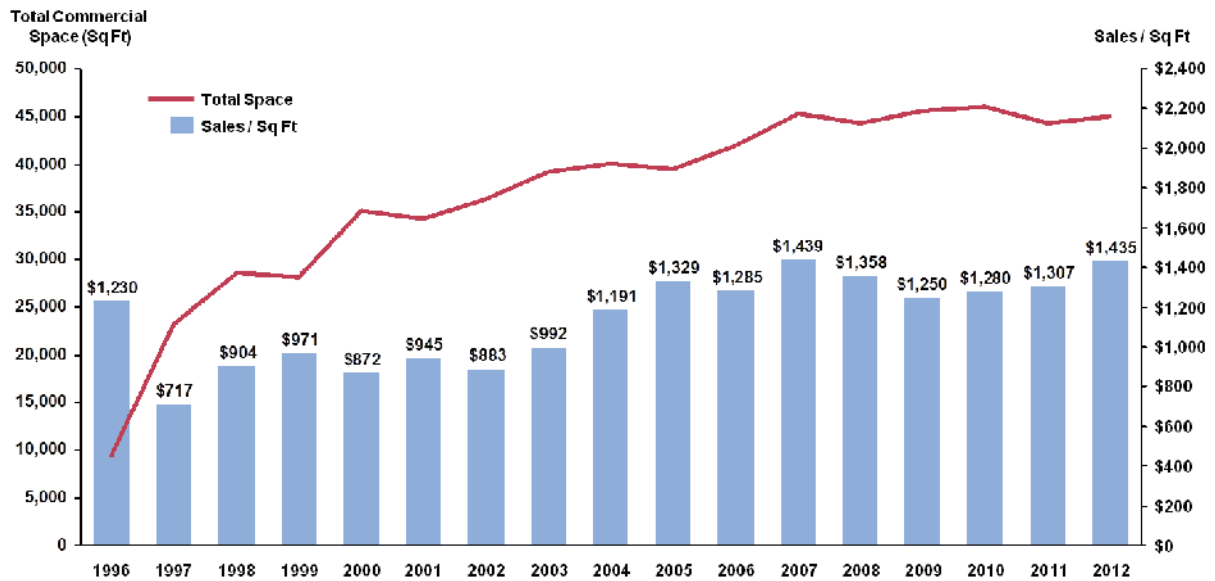
Review of actual concession in-store sales through the till, and therefore passenger spend by category, is useful in order to fully evaluate the performance of the Existing CTB. The figure below shows historic performance of the Existing CTB in terms of concession in-store sales, which shows the rapid growth achieved for each of the periods either side of the downturn between 2007 and 2009.

Figure 17: Existing CTB Concession Store Sales by Category 1996-2012 (nominal \$m)<sup>9</sup> with CAGRs



Since 1996, total commercial space at the Existing CTB has increased markedly, especially in the early years and mainly driven by F&B; productivity rose to 2007 but has stagnated since the start of the recession.

Figure 18: Existing CTB Commercial Space & Productivity (nominal \$m) 1996 – 2012<sup>10</sup>

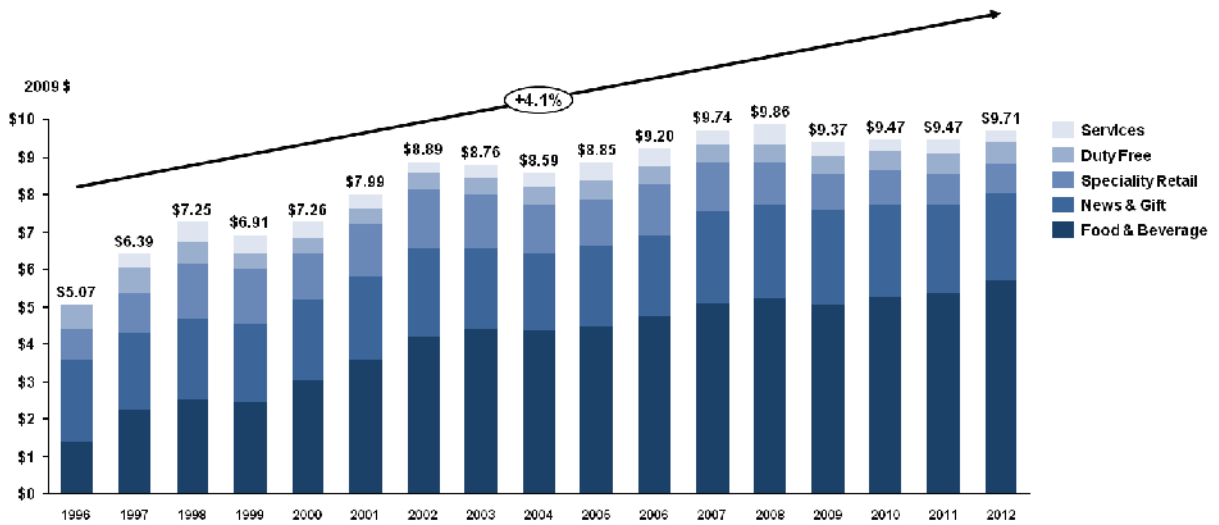


Taking inflation into account, and looking at the spend per enplaning passenger (ie. those passengers departing), the trend in passenger spends by category for the Existing CTB since 1996 is shown below.

<sup>9</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

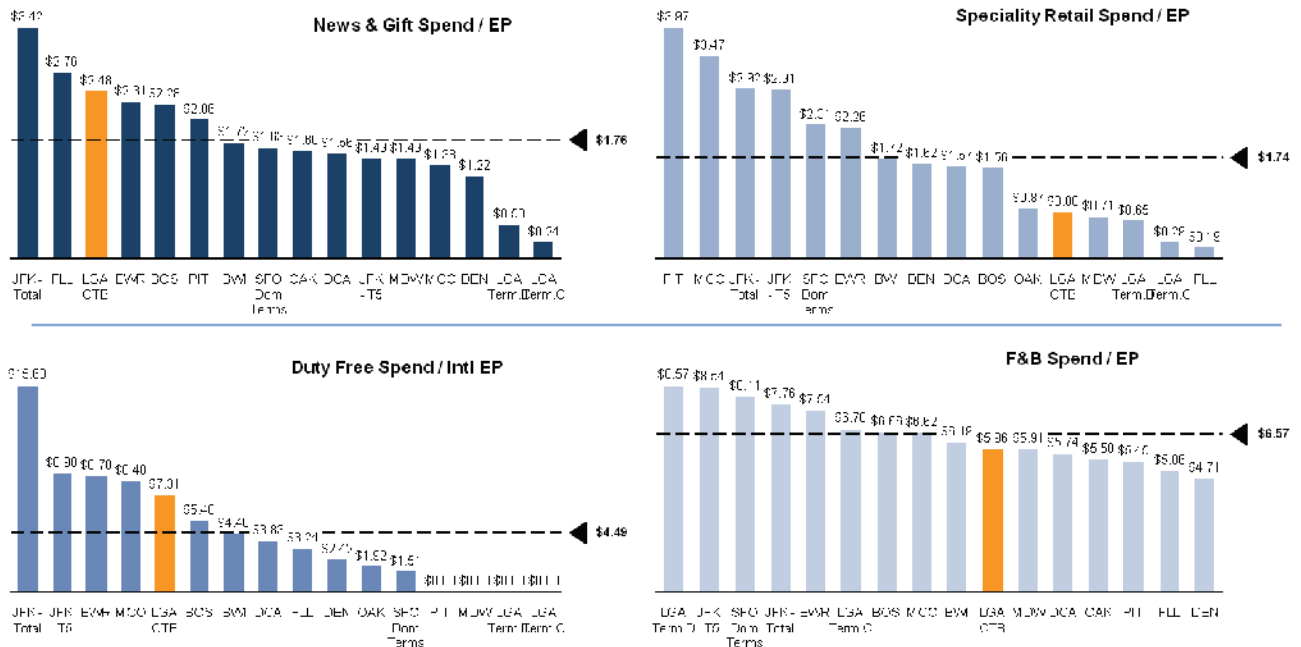
<sup>10</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

Figure 19: Existing CTB Concession Store Sales per Enplaning Passenger by Category 1996-2012 (real 2009 \$)<sup>11</sup>



Looking at total passenger spend by category allows comparison of spend per enplaning (departing) passenger by category, a key metric used widely to indicate performance of airport commercial offers. This is calculated by dividing the annual concession sales for each category (e.g. Food & Beverage) by the total number of departing passengers in the terminal that year, as shown for the four key concession categories across a number of Existing CTB peer airports / terminals in the chart below.

Figure 20: Spend (in 2012 \$) by Concession Category per Enplaning Passenger by Category at Existing CTB versus Benchmark Airport Set<sup>12</sup>



<sup>11</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

<sup>12</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012, Airport Revenue News Factbook 2013 (with 2012 data)

It is apparent that, compared to a benchmark set of US airports, current spend is reasonable on Duty Free (spend per international enplaning passenger shown) and News & Gift categories, while it underperforms on Food & Beverage and Speciality Retail. This indicates areas of opportunity for the new airport operator to increase spend per enplaning passenger, and thus resultant income, by increasing the amount of space across categories and improving the relevance, breadth and quality of products on offer.

### 3.3 Historic Commercial Performance – Airport Operator Income

Concessionaires across the core product categories in the Existing CTB pay rent to a master concessionaire, MarketPlace Development, which has overseen the commercial programme at the Existing CTB for the past c.20 years. This is calculated as the sum of an agreed minimum monthly rent and a percentage overage as agreed per concessionaire in their contract (which percentage varies generally by concession category, and specifically by contract). The total rent paid by each concessionaire is termed the yield, generally quoted as a percentage of concession revenue.

These Existing CTB yields by category, as negotiated by MarketPlace, are shown in the table below, together with industry standard yields for high quality commercial airport space, which indicates there is potential scope for improved yields across each category.

**Table 6: Existing CTB Concession Yields by Category**

Category	Food & Beverage	News & Gift	Duty Free	Speciality Retail
2012 Yield <sup>13</sup>	17.0%	16.7%	26.3%	14.8%
US Industry Standard Yield <sup>14</sup>	18%	19%	30%	20%
UK Short Haul Terminal Actual <sup>15</sup>	23%	25%	31%	20%

Total rent paid by concessionaires to MarketPlace in 2012 was \$11.9m, of a total concession sales figure of \$66.0m, giving an overall yield of 18.1%.

Existing CTB terminal concession income received by the PANYNJ in 2012 was \$9.4m, after the fee paid to MarketPlace, which indicates that MarketPlace was paid an estimated \$2.5m or 21% of total concession rent in 2012.

The future lease holder will not share any income received from concessions with the PANYNJ, and has the option of removing MarketPlace if they wish to manage the commercial programme themselves, in which case the 21% retained by the existing master concessionaire will be retained instead by the new lease holder.

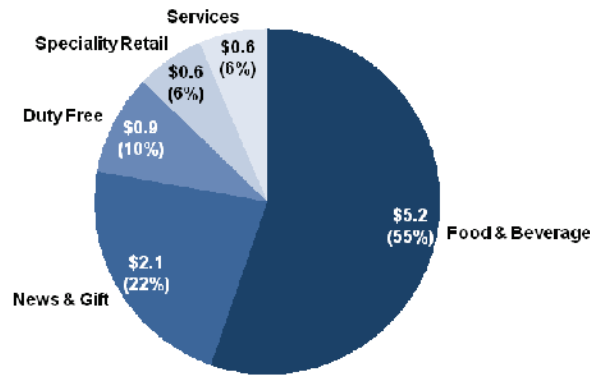
The 2012 Existing CTB PANYNJ terminal concession income of c.\$9.4m was derived from the different categories as shown below.

<sup>13</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

<sup>14</sup> Pragma Airport Benchmark Database

<sup>15</sup> Pragma Airport Benchmark Database

Figure 21: PANYNJ Existing CTB Terminal Concession Income by Category 2012 (\$m)<sup>16</sup>

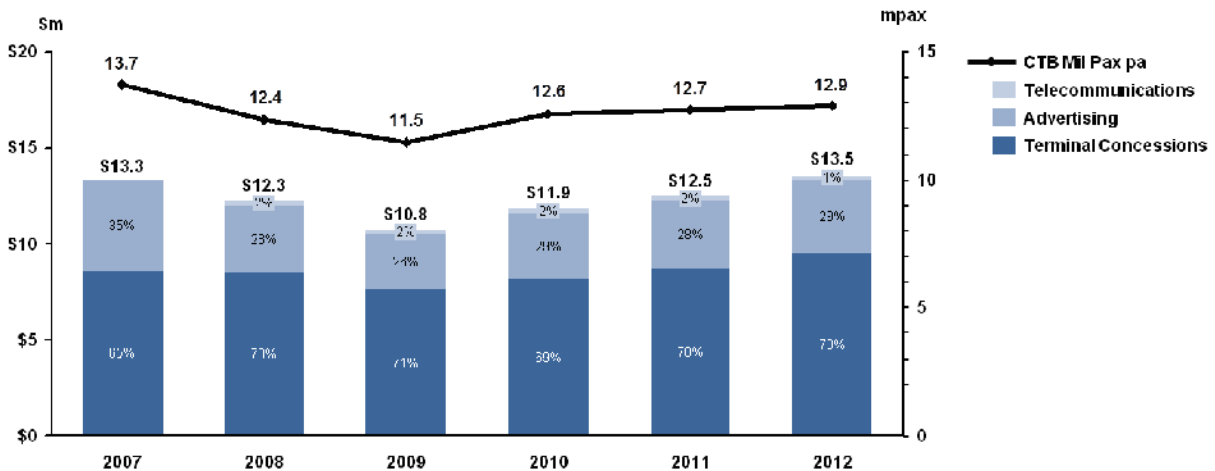


Overall, the Existing CTB produced core non-aeronautical commercial income (defined here as that derived from terminal concessions, advertising, and telecommunications services) for the PANYNJ of \$13.5m in 2012<sup>17</sup>.

Over the past three years, the PANYNJ has received between 80% and 92% of advertising (the remaining 8-20% being paid to airlines) and 100% of telecommunications income; under the lease, the future airport operator will receive 50% of advertising income and 80% of telecommunications income in the New CTB (the remainder being paid to the PANYNJ), the breakdown of which is reflected later in this report in the financial forecasts.

Of the total \$13.5m PANYNJ non-aero commercial income in 2012, c.70% or \$9.4m (as described above) was derived from rent paid by terminal concessions, 29% (\$3.9m after airline share) from advertising, and 1% (\$0.2m) from telecommunications services, a split which has been similar for the past 5 years, although total income has fluctuated generally with passenger numbers over the period.

Figure 22: PANYNJ Existing CTB Non-Aero Income by Type 2007-2012 per Project Briefing Book (nominal \$m)<sup>18</sup>



It should be noted that the PANYNJ terminal concession income is stated before a share is paid to the airlines. This airline share is calculated as 80% of all Food & Beverage income, and 50% of all retail income (including Speciality Retail, Duty Free and News & Gift) received from concessions located on Concourses A, B or C (see later for map of Existing CTB concourses). This totalled \$2.7m in 2012, which effectively means that the terminal concession income retained by the PANYNJ in 2012 was \$6.7m, with total PANYNJ non-aero income of \$10.8m.

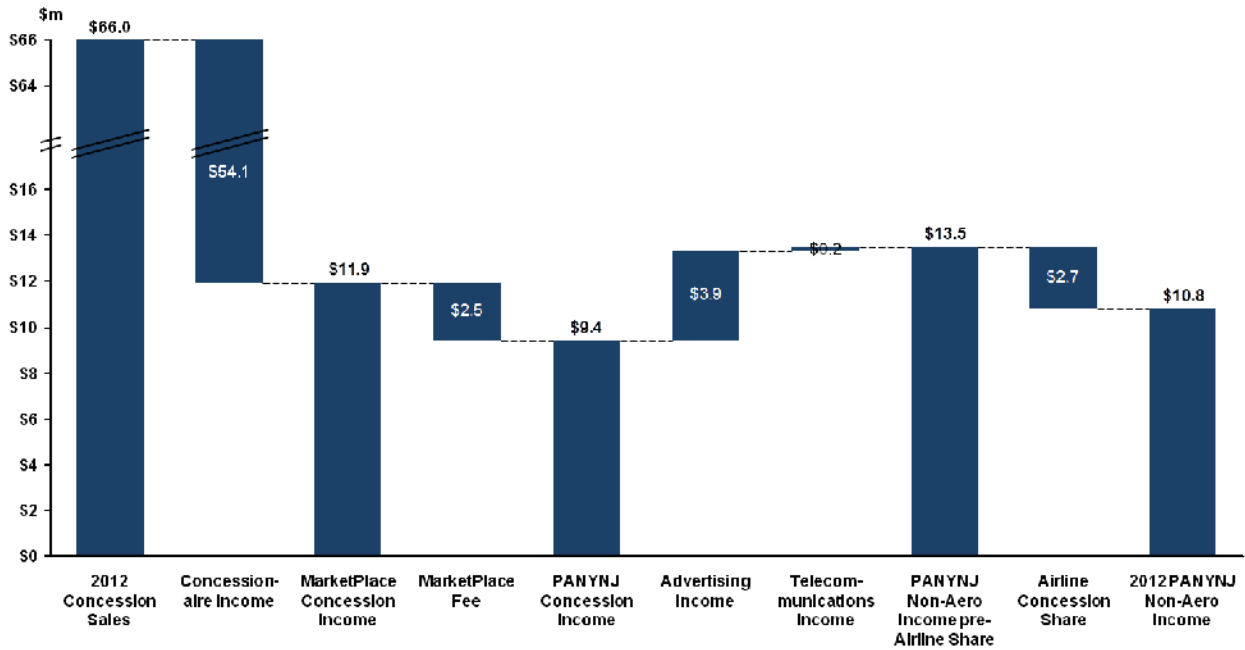
<sup>16</sup> PANYNJ: MPD Tenant Sales Rent Detail - 2012

<sup>17</sup> PANYNJ: LGA CTB Revenues 2008 to 2013, Source Revenue Expense Data Project Briefing Book, Pragma Analysis

<sup>18</sup> PANYNJ: LGA CTB Revenues 2008 to 2013, Source Revenue Expense Data Project Briefing Book, Pragma Analysis

The chart below summarises how the PANYNJ derived this 2012 non-aero income.

Figure 23: Bridge Analysis from 2012 Concession Sales to 2012 PANYNJ Non-Aero Income (2012 \$m)

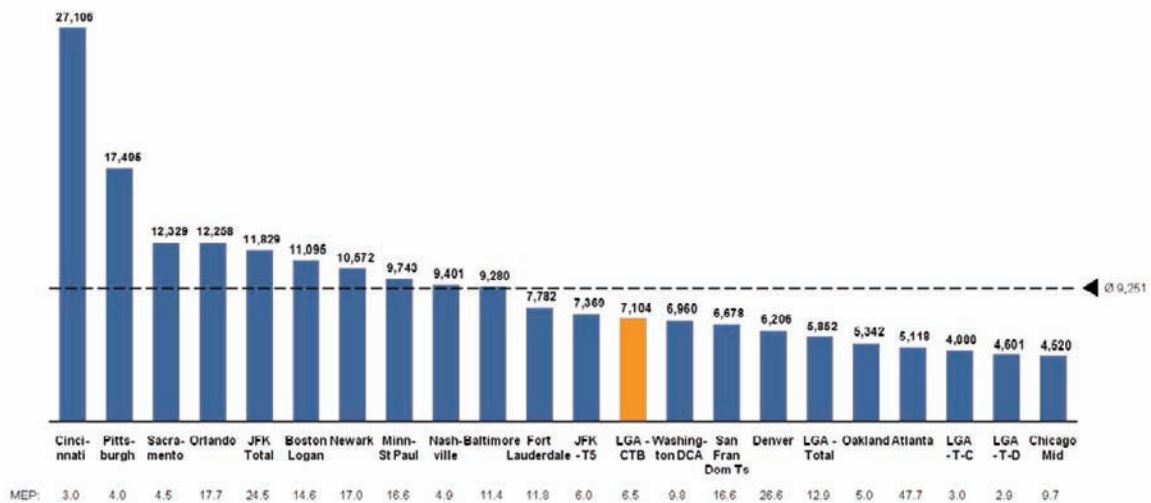


### 3.4 Commercial Offer

The Existing CTB currently has a total of 45,977 square feet of gross leasable commercial space, of which 68% is landside (ie. pre-security) and 32% airside (after security). This is not in line with global best practice, whereby the vast majority of space is located airside as this is where passengers are at their most relaxed, have long dwell times, and therefore have the highest propensity to spend.

On a space per million enplaning passenger (MEP) basis, the terminal is currently underspaced at c.7,100 sq ft per MEP, compared to many airports in the competitor set (which have an average of 9,250 sq ft per MEP) as well as global airport retail trends, and in light of forecast growth in passenger numbers over the course of the lease period.

Figure 24: Total Concession Space (sq ft) per Million Enplaning Passengers for CTB Competitor Set<sup>19</sup>



The amount and percentage of space allocated to each of the four core product categories (Food & Beverage, News & Gift, Duty Free, and Speciality Retail) and Services (foreign exchange kiosks and ATMs, which currently occupy minimal space) are shown in the table below.

Food and Beverage concessions occupy a majority of the commercial space available (56% in total), which is not unusual for US airports, as shown by comparison with a sample of competitor predominantly domestic terminals / airports. Overall, the comparison indicates that the proportion of space allocated to each category in the Existing CTB is reasonable on a benchmark and US market basis.

Table 7: Existing CTB Commercial Space<sup>20</sup> (sq ft) by Product Category versus Key Benchmarks<sup>21</sup>

Category	CTB Space (sq ft)	CTB Space (%)	JFK T5	San Francisco (Domestic Term)	Baltimore
Food & Beverage	25,888	56%	70%	57%	59%
Speciality Retail	9,611	21%	24%	32%	21%
News & Gift	7,737	17%	5%	11%	19%
Duty Free	2,326	5%	2%	0%	1%
Services	415	1%	-	-	-
<b>TOTAL</b>	<b>45,977</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Pragma undertook a detailed audit of the Existing CTB offer, which highlighted that a number of commonly found airport product sub-categories are either absent or under-represented. This was most evident in the fashion and accessories offer, which offered very narrow choice in terms of price positioning as well as brands and styles. There was also duplication of offer in the technology category, and limited mid-market sit-down dining options.

In addition, it highlighted that the overall merchandising of the Existing CTB was poor, in terms of quality of space, fit out of tenants, store layouts, product mix on offer, customer service levels, and generally the overall retail experience.

<sup>19</sup> Airport Revenue News Factbook 2013 (with 2012 data)

<sup>20</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

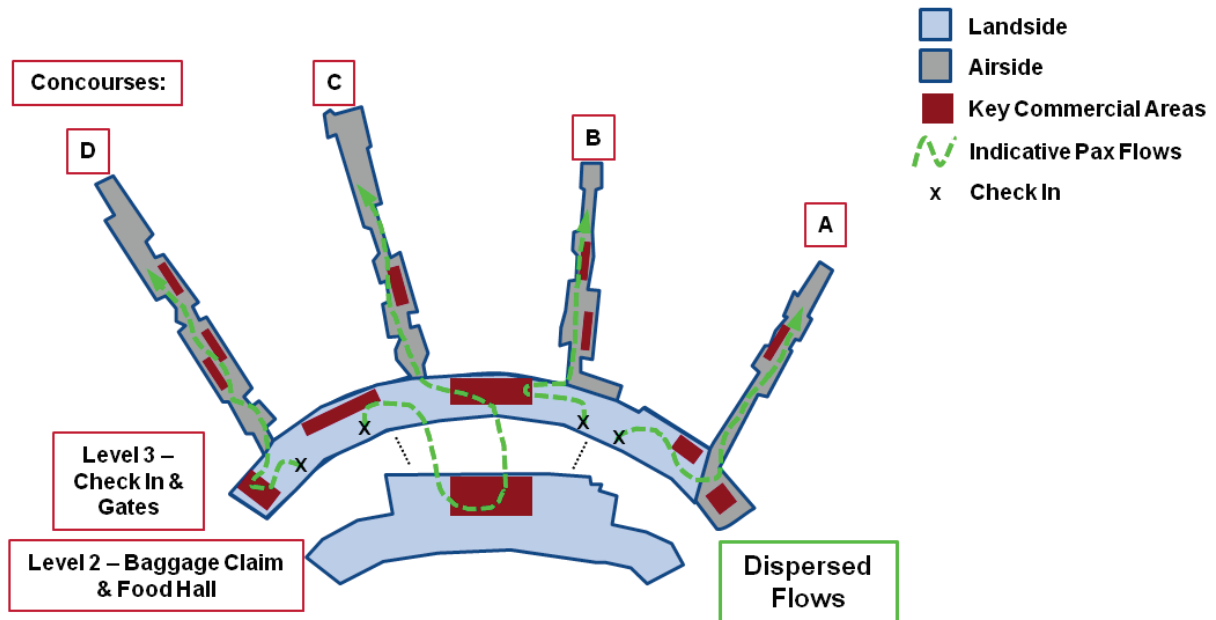
<sup>21</sup> Airport Revenue News Factbook 2013 (with 2012 data)



### 3.5 Layout & Configuration

The layout of the Existing CTB is sub-optimal in terms of flow routes, the location of concession units, and the necessity for duplication of the commercial offer due to having four concourses.

Figure 25: Layout of Existing CTB, Key Commercial Areas and Passenger Flow Routes<sup>22</sup>



The Existing CTB has a curved main headhouse which accommodates check-in and much of the centrally located commercial space on Level 3, with baggage claim and another commercial area on the lower level 2.

There are four separate concourses where the gates are located, each with individual security checkpoints, and each with small numbers of concession units. As a result, many passengers can take a direct route towards their concourse from check-in, without passing much of the commercial offer.

In addition, the main food hall is situated on a lower level from departures, with a secondary, supplementary food hall at the far west end of the building, neither of which are on natural flow routes from check-in, and both of which are landside. The fact that these units are pre-security limits their potential usage by the passenger mix, as the majority of dwell time is spent post-security.

By having four concourses, there is significant duplication of the commercial offer with newsstands and similar food outlets within each concourse. There are also no speciality retail shops located post-security, where the majority of spend occurs in other airports.

The overall environment is cramped, overcrowded, poorly merchandised, and generally unappealing to passengers. This results in poor customer experience, weak satisfaction scores, and low spend levels.








<sup>22</sup> PANYNJ, Pragma Analysis

### 3.6 Commercial Review – Summary

There are therefore a number of areas of opportunity for growth within the CTB, with varying potential in terms of increased revenue for the airport operator. These are summarized in the table below.

**Table 8: Existing CTB Commercial Review and Potential for Improvements**

High Potential  Low Potential

Commercial Impactor	Limitations of Current CTB	Potential Improvements in New CTB	Higher Income Potential
<b>Increase in Concession Space (total and per MEP)</b>	The Existing CTB is underspaced compared to similar domestic US airports, in absolute terms and per million enplaning passengers	There will be a substantial increase in space across all categories, in total and per million enplaning passengers, in the New CTB, with significant income potential	
<b>Layout &amp; Configuration</b>	The current configuration is poor, with c.68% of the space landside, located off primary flow routes, with poor visibility and access	Optimising the layout and configuration in the New CTB is integral to maximising non-aero revenue and income for the new operator	
<b>Category Mix &amp; Product Rationalisation</b>	The category mix in percentage terms is reasonable, but product targeting is awry, there is much duplication, and within-category gaps exist	Analysis suggests upweighting of Speciality Retail and F&B at the expense of News & Gift and Duty Free, with product targeting by passenger segment	
<b>Concession Management</b>	Marketplace have been in place for many years now, and have made reasonable use of poor space	There is opportunity for better selection of concessionaires within an overall plan for new concession space and terminal branding	
<b>Yields by Concession Category</b>	Most concession rental deals and yields in place at the moment appear reasonable, with the exception of Speciality Retail	A significant increase in yield can be targeted in new Speciality Retail space, with increases also feasible in the other core categories	
<b>Passenger Type Mix</b>	There is a good mix of business and leisure travellers, with high average income overall	Major changes to passenger mix are unlikely in the near future; a more targeted, relevant offer would encourage spend across segments	
<b>Traffic Segment Mix</b>	International passengers currently account for only 9% of traffic	The proportion of international passengers is not forecast to increase, therefore increased spend from higher international numbers cannot be expected	

### 3.7 Commercial Strategy to Closure

The commercial space within the Existing CTB will be closed in phases between 2015 and 2019 according to the Demolition & Construction Phasing schedule (see Section 4 for details). Current plans envisage the closing of concourses A and B in the first stage, followed by the existing headhouse at a second stage, with concourses C and D the last to be closed.

A detailed closing strategy is in place which ensures that there is sufficient commercial space open (when taken in conjunction with space in the New CTB) across each of the core product categories, in order to serve passenger needs at all times.

This is reflected in the space available by category at each phase, as shown in the table below.

**Table 9: Total Commercial Space (sq ft & %) in the Existing and New CTBs by Construction Phase & Category<sup>23</sup>**

Phase	1	2	3	4	5	6
Construction Month	0-21	21-26	26-37	37-45	45-60	60-68
Sq ft at start of phase						
Food & Beverage	25,888	28,996	31,826	45,010	44,406	53,984
Speciality Retail	9,611	10,536	11,782	23,518	24,631	24,553
News & Gift	7,737	9,174	9,675	14,551	14,942	13,933
Duty Free	2,326	2,326	2,326	5,154	5,334	4,184
Services	415	415	415	415	415	415
<b>TOTAL</b>	<b>45,977</b>	<b>51,447</b>	<b>56,024</b>	<b>88,648</b>	<b>89,728</b>	<b>97,069</b>
Space (% of total)						
Food & Beverage	56%	56%	57%	51%	49%	56%
Speciality Retail	21%	20%	21%	26%	27%	25%
News & Gift	17%	18%	17%	16%	17%	14%
Duty Free	5%	5%	4%	6%	6%	4%
Services	1%	1%	1%	1%	1%	1%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

In addition to this overarching requirement, it is also planned to maintain the existing level of retail and F&B offerings initially, before reviewing the current offer within 6 months of the start of the lease. This has the aim of improving product mix within categories, reducing duplication and filling gaps in the offer where possible, while the space remains open, and thus maximizing revenue and income for the duration of the construction period.

The phasing strategy minimizes the requirement to introduce temporary concessions to maintain the commercial offer. When required or desirable, temporary facilities and/or kiosks will be used to maintain the level of commercial offer and service through the entire passenger journey, to accommodate changing passenger flows.

Wherever possible, LGP plans to consider opportunities to tender and start operations of new concession tenants in the existing CTB, in temporary kiosks or in vacant locations where appropriate, to familiarize them with the airport operating environment and LGA passenger preferences, and test out concepts and product mix in advance of their full launch in the New CTB.







In order to reduce disruption and maintain good relation, regular and clear communication will be established with existing tenants on the plans for the New CTB, including guidance on construction timelines and potential impact on operations, as well as indicating tendering opportunities for the New CTB where relevant.

<sup>23</sup> LGP, HOK V5 Phasing Schedule

#### 4. Demolition & Construction Phasing

The Existing CTB will be decommissioned and the commercial aspects of the New CTB constructed over a 68 month period from June 2015, with the phasing schedule as set out below.

**Table 10: Demolition of Existing CTB & Construction of New CTB by Phase – Commercial Space Impact (sq ft)<sup>24</sup>**

<p>Phase 1 Month 0-21 Existing space: 45,977 New space: 0 Total: 45,977</p>	<p>Existing CTB remains fully open Begin construction of Pier B and New Headhouse</p>	
<p>Phase 2 Month 21-26 Existing space: 42,968 New space: 8,479 Total: 51,447</p>	<p>Pier B partially open Demolish Concourses A &amp; B Concession spaces within Concourses C and D and the Existing CTB headhouse will remain fully functional</p>	
<p>Phase 3 Month 26-37 Existing space: 42,968 New space: 13,056 Total: 56,024</p>	<p>Pier B commercial space fully open Concession spaces within Concourses C and D and the Existing CTB headhouse will remain fully functional</p>	
<p>Phase 4 Month 37-45 Existing space: 8,452 New space: 80,196 Total: 88,648</p>	<p>New CTB headhouse open (apart from F&amp;B on Pier A walkway) All concession space within the Existing CTB will close except concessions located in Concourses C &amp; D</p>	
<p>Phase 5 Month 45-60 Existing space: 4,897 New space: 84,831 Total: 89,728</p>	<p>Pier A partially open Close Concourse C, limiting Existing CTB concession space to Concourse D</p>	
<p>Phase 6 Month 60-68 Existing space: 0 New space: 97,069 Total: 97,069</p>	<p>Pier A open All New commercial space open All Existing commercial space closed</p>	

Note: all space figures are in square feet and indicate concession space open at the start of each phase

<sup>24</sup> LGP, HOK V5 Phasing Schedule

One of the key benefits of LGP's proposal is the overall reduced number of phases involved in the construction transition from the Existing CTB to the New CTB; this results in minimized disruption to the operation, reducing the impact on passengers and concessionaires. This also ensures that LGP can provide a suitable retail and food & beverage offer at all times through the transition period, and thus maximize revenues.

There will be a single, early transition to a new, large central retail space in month 37, with construction and fit out of this new space having been completed in isolation from existing commercial operations. This allows the closure of the existing headhouse and opening of the entire new headhouse overnight.

As a result, the total amount of retail concession space is increased as early as possible during the construction period, with the majority of the new commercial offer therefore available to all passengers at 37 months.

## 5. New CTB

The New CTB is designed to provide passengers with the best possible experience in terms of efficiency as well as enjoyment of the terminal. With the construction of the New CTB, there is the opportunity for LGP to maximise passenger spend and thus optimise commercial revenues at the terminal through the application of best practice global airport retail principles and strategies. These encompass:

- The layout and configuration of the commercial areas to ensure passengers have maximum exposure to the commercial selection on a minimal number of key flow routes.
- The inclusion throughout the building of a sense of place, providing a great New York experience for all passengers, staff, and visitors, through a variety of features and the showcasing of local products and merchants.
- The provision of sufficient concession space to allow a broad, attractive and relevant offer which meets passengers' needs and desires across all product categories and traveller segments.
- The provision of high quality commercial space for tenants to merchandise and display their products to the best advantage, thus increasing demand for space and therefore improved yields.
- The adoption of an active management approach in terms of engagement with concession tenants, through a proven collaborative partnership approach, undertaken by the world-class, experienced commercial team that LGP will put in place immediately.

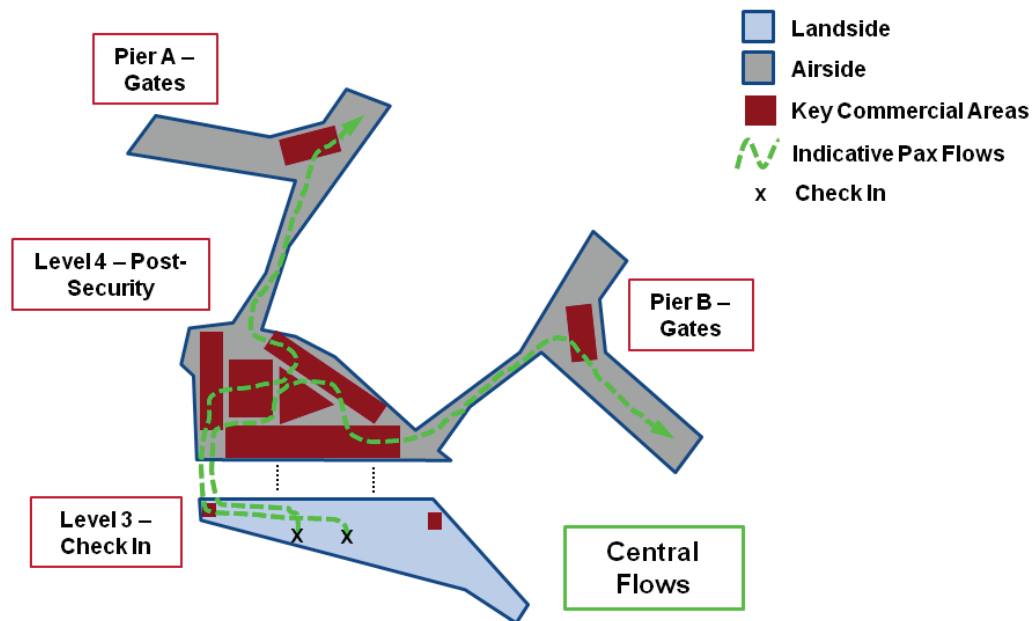
By optimising commercial revenues across the core product categories and yield percentages paid by concessionaires, the airport operator will maximise its income from the commercial space. If all CTB concession subleases were to be reassigned from MarketPlace to the consortium on day 1 of the lease, they would receive 100% of rental income after the three month notice period without having to pay the previous master concessionaire fee of 21% of revenue, which is thus a potential driver of increased income.

### 5.1 Layout & Configuration

The layout of the New CTB is designed to ensure passengers have ease of passage through all stages of their journey, and the commercial space has been configured to increase accessibility and ease of shopping for passengers, while, providing a broad offer in an appealing environment.

As shown below, following check-in passengers pass through security and flow up into the main retail space, where they can spend time, relax, eat and shop before moving to the nearby piers and holdrooms, where there are further retail and food & beverage units to cater for their needs while waiting to board.

Figure 26: Layout of New CTB, Key Commercial Areas and Passenger Flow Routes<sup>25</sup>



The commercial space at the New CTB is configured such that passenger spend will be maximised. This is achieved in three key ways, both consistent with global best practice:

1. C.93% of concession space is located after security, where propensity for passengers to spend is significantly higher than pre-security.
2. A large majority (c.72%) of the total commercial space is located in one core commercial zone in the main terminal building.
3. 100% of passengers enter and are encouraged to dwell in this large central retail area immediately following security, which studies have shown is the point at which passengers are at their most relaxed and have the highest propensity to spend.

The concentration of commercial offer, dwelling area and passenger facilities in a central retail area creates a highly attractive space in which passengers can relax and engage with the commercial and other facilities before their flights. By making this space welcoming, relevant, and exciting, passengers will be encouraged to dwell for longer and spend more, by maximising passenger satisfaction. In addition to the core retail offer, this central space will also contain flexible event / retail space, for local attractions and pop-up / mobile shops, creating retail theatre and allowing the terminal to have an up-to-date offer at all times.

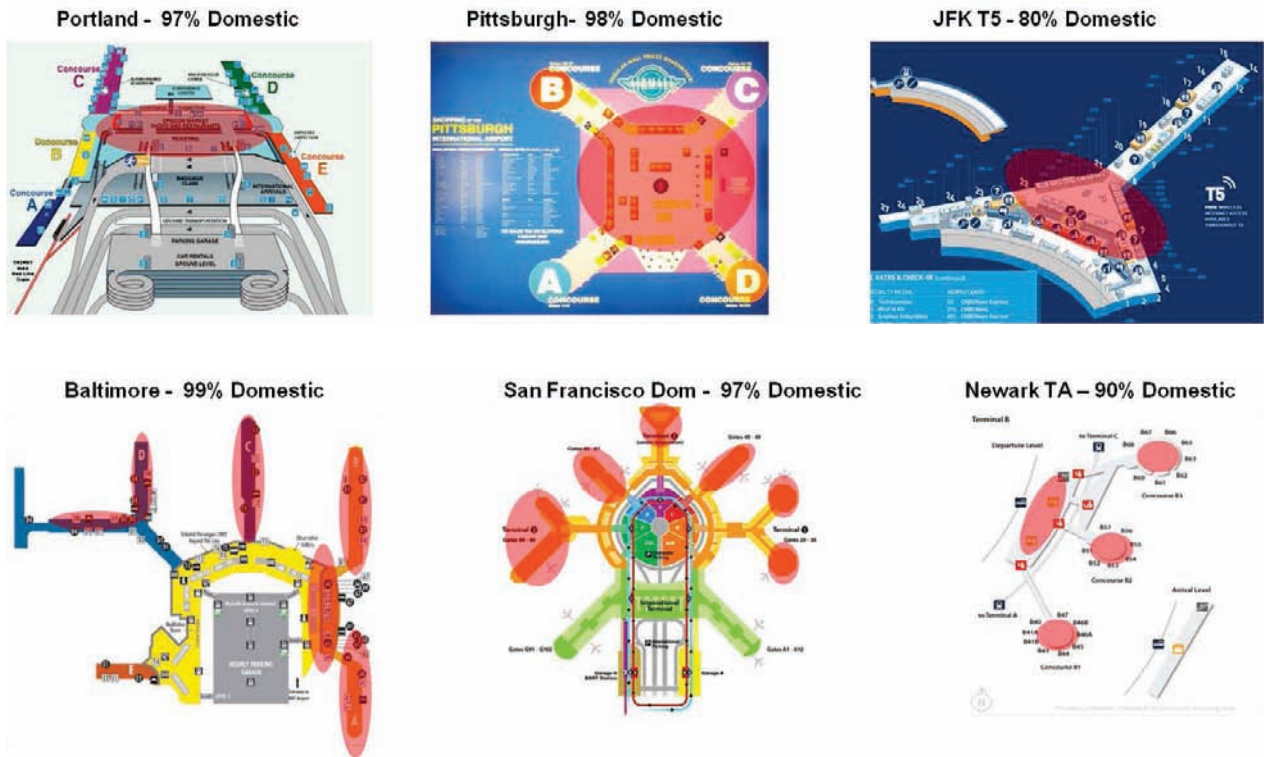
This main area will also be very well signposted to give passengers all the information they need in terms of when they need to move towards the piers, and how long it will take to get there (which will be relatively quick given the short distances to the piers). This allows passengers to remain relaxed in the central space rather than worrying about when they need to get to their holdroom and how long it will take.

The design of the airport layout and the location / amount of commercial space is important as it impacts passenger spend levels. This is illustrated by consideration of Speciality Retail spend per passenger at the existing CTB and six other predominantly domestic airport terminals, three of which have central retail zones as per the New CTB design (Portland, Pittsburgh, and JFK T5) and three of which have split concourse retail layouts as per the Existing CTB design (Baltimore, San Francisco Domestic, and Newark Terminal A):

<sup>25</sup> LGP, HOK, Pragma Analysis

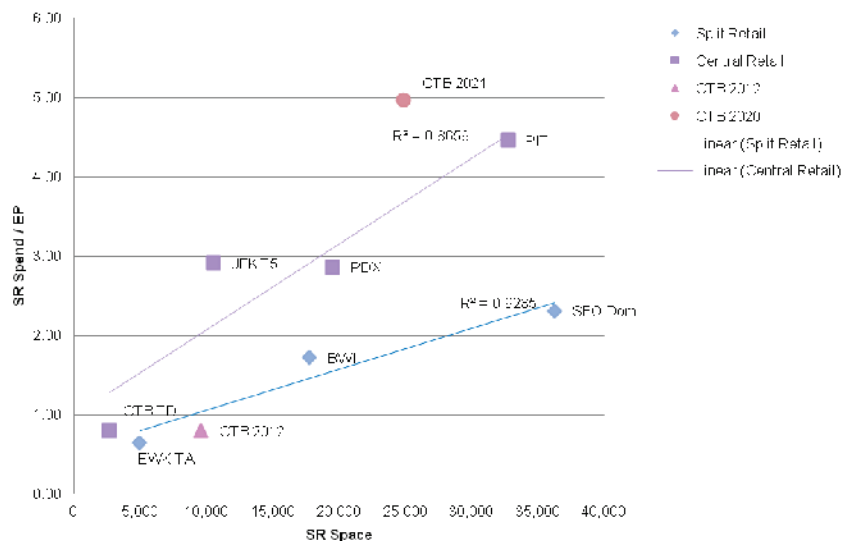


Figure 27: Comparison Airports – Retail Design & Layout (Main Retail Areas Shaded Red)<sup>26</sup>



When Speciality Retail spend per enplaned passenger is considered, those airports with central retail zones all have relatively high levels of spend, which is closely correlated with the amount of space provided, whilst the split concourse retail layout results in lower spend per enplaned pax even at high space levels, as shown in the chart below (which also includes the current CTB, CTB Terminal D, and the forecast for CTB in 2012 for comparison).

Figure 28: Speciality Retail 2011 Spend per Enplaned Passenger and Category Space by Airport Terminal<sup>27</sup>



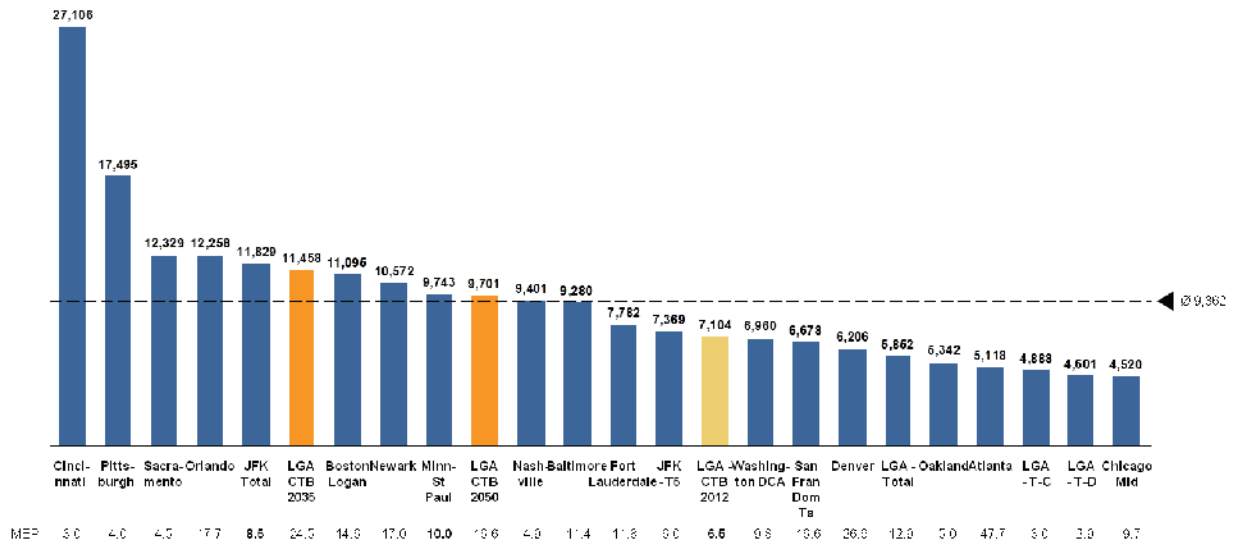
<sup>26</sup> Airport Websites, Pragma Analysis

<sup>27</sup> ARN Factbook 2012, Pragma Analysis

## 5.2 Commercial Space

The New CTB will have a total of 97,069<sup>28</sup> square feet of gross leasable commercial space, 7% is landside and the remaining 93% airside. Overall, this is an increase of 111% on the commercial space in the Existing CTB, and brings the terminal in line with US competitor airports, as shown in the chart below, which highlights the CTB space per million enplaning passengers (MEP) currently (in the Existing CTB), in 2035 and at the end of the lease period in 2050 in the New CTB (using the passenger forecast).

Figure 29: Total Concession Space (sq ft) per Million Enplaning Passengers for CTB<sup>29</sup> & Competitor Set<sup>30</sup>



It should be noted that if there is too much commercial space, as is recognised to be the case at Pittsburgh and Cincinnati, this reduces the commercial productivity (revenue per sq ft) of the concessions and thus the attractiveness for potential tenants, which results in difficulty filling the space and lower rents / yields achievable for the airport operator.

It is a generally accepted principle of airport retailing that adding commercial space increases spend per passenger (up to a maximum determined by overall propensity to spend), on a reasonably linear basis, due generally to a wider range of products on offer and improved shopping environment (if the space is of good quality).

This is supported by performance in the Existing CTB when considering the 1996-2012 historic relationship between the two variables, as shown on the figure below. Also included for illustration is the Pragma forecast spend per passenger for 2021 (see later in this report for details of forecast), at which point all the new space in the New CTB will be open.

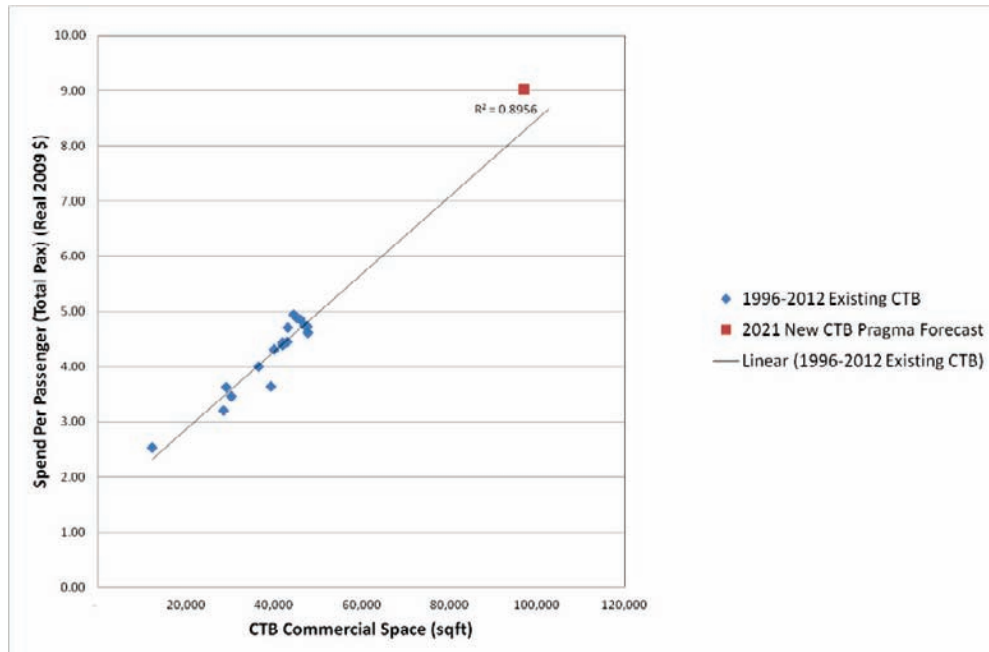
<sup>28</sup> LGP, HOK V5 Phasing Schedule

<sup>29</sup> LGP, HOK V5 Phasing Schedule, Oliver Wyman Traffic Forecast v4.0

<sup>30</sup> Airport Revenue News Factbook 2013 (with 2012 data)

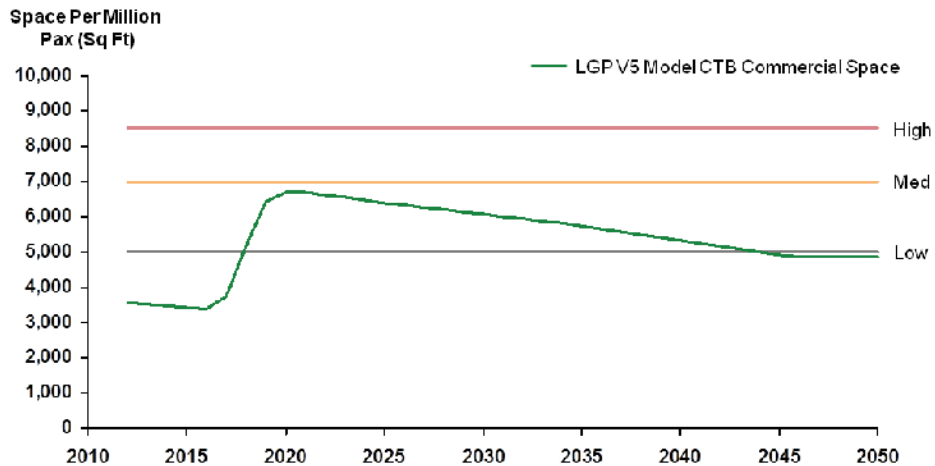


Figure 30: Spend per Passenger (Real 2009 \$ on Total Passenger basis) 1996-2012<sup>31</sup> Existing CTB and 2021 New CTB<sup>32</sup> vs Existing<sup>33</sup> and New<sup>34</sup> CTB Commercial Space



Whilst it is not a certainty that the linear relationship with spend will continue at the higher levels of space, a reasonable degree of comfort comes from the fact that the Existing CTB is markedly underspaced and thus has room for substantial growth. This is indicated by the fact that the total space per MEP in the New CTB is in line with many of the benchmark airports, and also when current and planned space is compared against industry standard airport design guidelines on a sq ft per million passengers basis, as shown in the chart below.

Figure 31: Current & Planned CTB Commercial Space per Million Passengers (sq ft) 2012-2050<sup>35</sup>



<sup>31</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

<sup>32</sup> Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05

<sup>33</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

<sup>34</sup> LGP, HOK V5 Phasing Schedule, Pragma Analysis

<sup>35</sup> Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05, Pragma Database

A comparison of the amount and percentage of space allocated to each of the concession categories in the Existing and New CTBs is shown in the table below.

**Table 11: Existing CTB<sup>36</sup> versus New CTB<sup>37</sup> Commercial Space (sq ft) by Product Category**

Category	Existing CTB Space (sq ft)	New CTB Space (sq ft)	Change %	Existing CTB Space (%)	New CTB Space (%)
Food & Beverage	25,888	53,984	+109%	56%	56%
Speciality Retail	9,611	24,553	+155%	21%	25%
News & Gift	7,737	13,933	+80%	17%	14%
Duty Free	2,326	4,184	+80%	5%	4%
Services	415	415	-	1%	1%
<b>TOTAL</b>	<b>45,977</b>	<b>97,069</b>	<b>+111%</b>	<b>100%</b>	<b>100%</b>

In terms of percentage of space allocated to each category, the Food & Beverage proportion is maintained to recognise the importance of this category both in terms of the US market as a whole, and the fact that the CTB is a predominantly domestic airport, which results in low space allocation to Duty Free.

Compared to the Existing CTB, the proportion of space allocated to Speciality Retail is increased in the New CTB, to reflect the need to provide a wider offer in this area and the opportunity to considerably uplift spend in this underperforming category. There is a slight downweighting of News & Gift space proportionally to recognise the ongoing industry reduction in this category due to the shift away from printed products, while still meeting the essential needs of passengers and relatively high potential for gifting purchases in a New York airport.

### 5.3 Commercial Offer

It is integral to the LGP strategy for the New CTB that the commercial offer is tailored to the passenger base. Therefore detailed retail planning has been undertaken to ensure that the needs of different customer segments will be met, in an environment designed to be welcoming and relevant to New Yorkers and those visiting the city, as well as encouraging dwell time in the main retail space, thus promoting both planned and impulse spend opportunities.

Specifically, existing product categories (particularly the food & beverage and health & beauty offer) will be enhanced in terms of variety and quality of offer (currently reported in passenger surveys to be sub-standard at the Existing CTB). In addition, new product categories (such as premium fashion and accessories) will be added to the overall mix, targeted at business and leisure travellers, in order to increase overall spend levels. This is possible due to the large increase in commercial space available in the New CTB.

Carefully selected, aspirational brands will be included in both the retail and food & beverage sectors, with an emphasis on local, New York companies to differentiate the airport and improve customer experience.

The layout and merchandising of the main central retail space (where c.72% of the total commercial space will be located) is key to the success of the New CTB commercial offer. Careful consideration has been given to this space in terms of concession integration, point of entry, flow routes, mix of categories, commercial zones and adjacencies, and experiential features to provide a sense of place:

- Generally the space integrates both retail and food & beverage concessions, located around the outside of the area and with free-standing units centrally, where there will also be seating where passengers can relax with a good view of the whole offer.
- Entry to the main central retail space will be an escalator from the security area rising into probably the only walk-through Duty Free / Travel Value store in the US. The Travel Value concept (income from which is recorded under the Speciality Retail category), common in Europe and being introduced in many airports

<sup>36</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

<sup>37</sup> LGP, HOK V5 Phasing Schedule, Pragma Analysis

currently in the US, provides non-alcohol/tobacco products traditionally found in Duty Free stores such as perfumes/cosmetics and confectionery, but available to all passengers, both international and domestic.

- There will be only two main flow routes through the main space, depending on whether passengers are travelling from Pier A or B and thus which bridge they need to cross.
- All core categories will be represented in this central area, with a range of sub-categories and price positions to reflect the requirements of different passenger segments. In addition, the flexible central commercial space will be used as most relevant for the time of year and to reflect current retail trends.
- It is envisaged that one area will cater more for the business passenger, in terms of higher end, quieter, more sophisticated offer, while another will be more family-friendly in terms of concessions and look and feel.
- The space will include a number of iconic features relevant to New York and its neighbourhoods, and a terrace is planned with views across the airfield back towards Manhattan.

The commercial offer in the pier will consist of essential retail stores such as News & Gift and top-up Duty Free outlets, combined with sufficient Food & Beverage space and a wellness centre (including such services as massage and manicures) to allow for relaxing near the holdrooms. Passengers, though, will be encouraged to dwell in the main retail area to ensure spend is maximised where the majority of the offer is located.

While the space allocated to Services is shown as remaining the same; however, the main retail area in the New CTB will contain some central space which will be flexible in its usage, and is envisioned to be used for events and pop-up retail offers. In addition, the airport operator will purchase 8 mobile kiosks for its kiosk programme. These additional offers are not reflected in the total commercial space figures above, but provision has been made in the Services revenue forecasts to incorporate spend at these pop-up shops, events, and mobile kiosks. These forecasts in addition include revenue from premium services including valet parking, separate VIP entrance and screening area, and a non-airline business lounge, which the New CTB will also offer.

The landside offer will be minimal (c.7% of the total commercial space), but will include: a Welcome Centre to excite passengers arriving in New York; food & beverage outlets and newsstands to cater both for passengers and their wellwishers / greeters, as well as for airport staff; and a convenience store for regular users of the airport to pick up items they may need on their way home.

LGP aims to implement and administer this offer by using a hands-on, direct approach for management of the commercial program, bringing the world-class expertise and network resources of the LGP commercial management team to the LGA CTB, a proven approach established at each Vantage network airport. In doing so, it will also negotiate with new and continuing concessionaires to ensure new rental contracts maximize yield percentages and thus operator income.

Overall, LGP aims to provide the best environment and experience possible for every type of passenger and journey, to optimise satisfaction levels and allow visitors to spend on relevant, suitable, and aspirational products at their leisure.

#### 5.4 Additional Income Streams

In addition to rental income received from concessionaires, tenants will also pay three other charges to the airport operator (which are similar to payments currently in place to the PANYNJ):

1. A Common Area Maintenance charge, which reflects the contribution of concessionaires to terminal general operating costs and is calculated on a square foot basis (and therefore only impacted by space increase and inflation).
2. Contribution towards a centralised Marketing Fund, which is calculated as a percentage of concession sales, and all of which is directed by the airport operator towards paying for promotional and marketing activity for the terminal and its tenants.
3. A storage fee for tenants goods to be stored on the terminal as required.

LGP intends to conduct a transparent, open, fair discussion with tenants on these other contributions to ensure the airport operator can obtain appropriate income from these additional concession contributions.

The New CTB will also provide advertising space (with the programme continuing to be run by JC Decaux) and telecommunications services. Income from these streams will be shared with the PANYNJ, with the new airport operator due 50% of advertising income and 80% of telecommunications income.

## 5.5 Contractual Framework

Key assumptions on contractual arrangements concerning the concession programme for the new CTB include:

- LGP has the right to terminate the MarketPlace contract and manage the concession program directly, subject to a payment for unamortized capital expenditure. If this option is executed all concession subleases will be reassigned from MarketPlace to the consortium after the three month notice period, and that the management of the airport commercial operations will be undertaken by the new commercial team at the same time, and for the duration of the lease period.
- To minimize any transition and operational disruption to passengers, LGP will maintain current concession tenants in the Existing CTB, and they would continue to pay their proportional Landlord Operating Costs and Marketing Contributions at their current contractual levels.
- Where concessionaires continue to operate for up to 4-5 years within the Existing CTB, contracts will need to be re-negotiated: in these instances, existing yield percentages are not adjusted, but improved terms will be included in the re-negotiated contracts (e.g. modified contribution to a centralised marketing fund, inclusion of more effective performance measurement and service quality criteria, positively impacting performance).
- As new space becomes available in each phase of construction, a competitive process will be undertaken to select new concessionaires in the form of travel retail partners that share a common vision with LGP.
- Rents will be structured as the greater of the Minimum Annual Guarantee (MAG) or percentage rent. Concessionaires will be required to submit a sales plan for the whole contract period and based on that an annual MAG would be set. This is also usually a criteria for the selection of the concessionaires through the RFP. At the beginning of each calendar year, the MAG would be recalculated at the higher of: 85% of income (rent) based on the sales projection submitted and previous year MAG corrected by inflation rate.
- As contracts are tendered for the New CTB, a new Common Area Maintenance (CAM) fee will be calculated to replace the current proportional share of the Landlord Operating Costs, and to cover common operating costs. CAM will be calculated on a per square foot basis with no mark up to the tenant and provided as part of the terms of their contract.
- In addition, as contracts are tendered for the New CTB, LGP will revise the current Marketing Fund contributions to be calculated as a percentage of gross sales, using a common industry benchmark. Marketing Fund contributions will be used to promote the concessions program across all mediums. A marketing calendar and budget for all activities will be developed by LGP and agreed upon with the concession tenants at the start of each year.
- LGP will provide demand-driven concession tenant storage to provide the most cost-effective and efficient goods processing solution. Minimal storage fees will apply.
- 20% of concessionaires are required to be ACDBE and DBE businesses in the New CTB, which requirement will be incorporated into the terminal retail planning and contract negotiations.

## 6. Model Methodology & Assumptions

### 6.1 Overview

In order to forecast the effects of the New CTB on concession sales and airport operator income, Pragma has constructed a non-aero revenue and income model, detailing forecasts for all commercial income streams on a periodic basis for the duration of the lease. The model reflects the requirements of the RFP in terms of non-aero revenue and income categories:

- Core Revenue & Income Streams: the forecasting methodology focuses on the key commercial categories, namely spend on Duty Free, Speciality Retail, News & Gift, and Food & Beverage.

- Additional Income Streams: also included in the model are revenue and income forecasts for other commercial streams (namely Services, contributions to the Marketing Fund and Common Area Maintenance, a Customer Service charge, and any applicable tenant storage fees), all of which 100% of income is received by the airport operator, and those for which income is shared with the PANYNJ (namely Advertising and Telecommunications income).

Projections for the additional income streams are based largely on LGP’s traffic forecasts, any PANYNJ / external information to inform changes in usage / spend over the concession period, and industry standards.

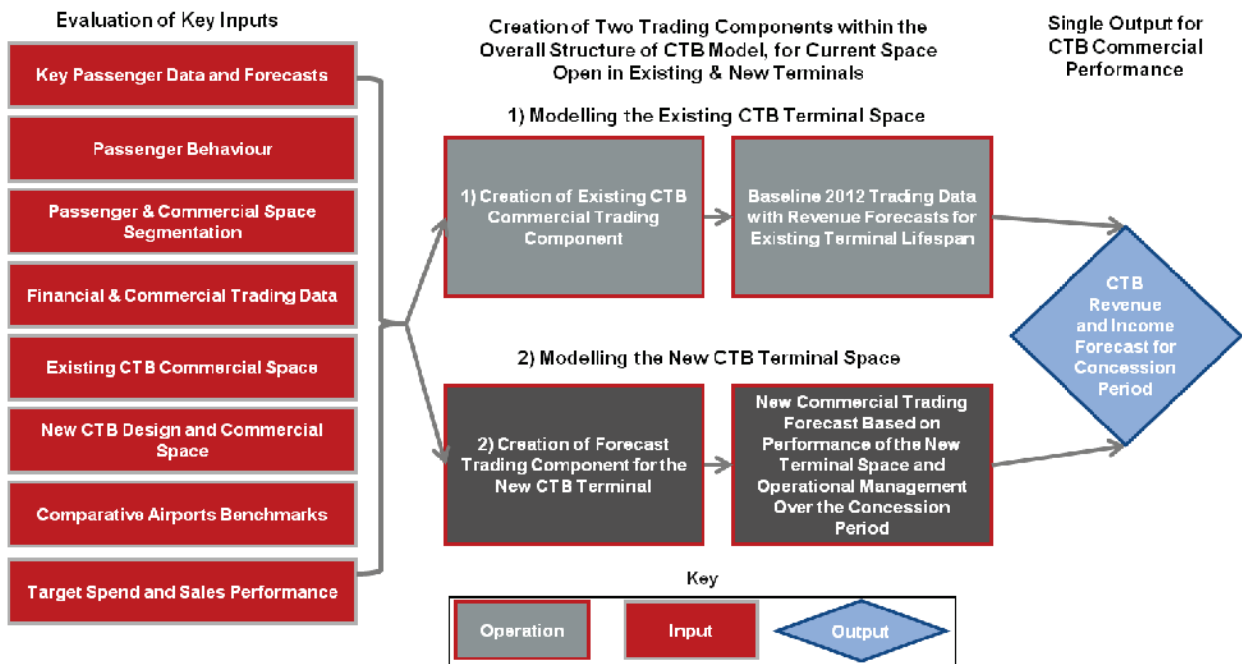
In the case of Advertising income, PANYNJ hold the contract with JC Decaux and therefore will have visibility on the anticipated sales projections. As a result, the PANYNJ forecast of 60% increase on current income has been used in the model projection, which has been validated by similar increases in advertising revenue at Vantage airports (for example, Nassau and Larnaka airports).

In this way, all applicable commercial revenue and income streams are included in the model and thus forecast for the duration of the lease.

## 6.2 Methodology

The model incorporates one component to forecast the performance of the Existing CTB, and a second to forecast the performance of the New CTB space, the combined output giving the overall CTB revenues, as illustrated in the diagram below.

Figure 32: Pragma Non-Aero Revenue & Income Model – Existing and New CTB Components



The model is built on revenue and income per passenger, for each income stream. This is based on historic 2012 data for the Existing CTB space, and a forecast revenue / income per passenger for the New CTB space; the traffic forecast (passenger numbers) is then used to calculate the full terminal revenue and income forecast for each period.

The effect of changes to the commercial programme on revenue, yields and income are included in the model by applying a number of impactors (as a percentage change) to the baseline revenue / income per passenger data, for either the Existing or New CTB as applicable.

The five key impactors on non-aero revenue and income are as follows:

- Traffic: passenger numbers are a key input into the Pragma revenue forecasting model (applies to both Existing and New CTB)

2. Increasing and optimising commercial space: by opening a new larger, superior terminal building, there will be one-off uplifts in passenger spend on the key commercial categories when the new space opens, due to the expansion of commercial areas, the addition of new product sub-categories, optimised flow routes, improved design and layout, and better merchandising of the offer (applies to the New CTB)
3. Improved operational practices: as a result of new, better management of the commercial space and individual concessionaires, there is the opportunity for ongoing increases in revenues achieved across all commercial categories (applies to both Existing and New CTB)
4. Better rental negotiations: given the vastly improved commercial space being made available to concessionaires, there is opportunity to improve the yield achieved by the airport operator in terms of rental income possible (applies to the New CTB)
5. Inflation: not included in Pragma model

The relevant commercial impactors (2., 3. and 4. above) are estimated and applied at a granular level, separately for each revenue / income stream where possible (i.e. to spend in each of the core product categories, to both the telecoms and advertising streams, to target yields in each core product category, and to each of the concessionaire contributions to central costs), and separately for both the Existing and New CTB spaces.

The construction phasing is incorporated in the model according to the concession space that is open in either the Existing and New CTB in any month; as a result, careful consideration of the construction phasing impact on potential passenger spend behaviours and therefore revenues is applied.

### 6.3 Commercial Impactors

The effect of each of the three defined commercial impactors on existing revenue per passenger is estimated according to the following methodologies, with the magnitude of and rationale for each of these impactors on existing revenue per passenger shown in addition.

#### 6.3.1 Increasing and Optimising Commercial Space

Applicable when space is opened in the New CTB, Pragma has used three ways of estimating and validating this key uplift in passenger spend:

1. Build up approach which uses industry-sourced data<sup>38</sup> and experience to forecast average transaction value and conversion rate (% of passengers who make a purchase) for each product sub-category in the New CTB (taking into account the new design, layout, and amount of space for each sub-category), which are then summed to give revenue per passenger for each of the key commercial categories.
2. Top down evaluation and benchmarking of overall retail and F&B conversion and total spend, to ensure that the overall percentage of passengers making a purchase, and their total spend, is appropriate given Existing CTB performance, airport industry standards, and consideration of the CTB passenger composition.
3. Benchmarking of spend per passenger across the key commercial categories of F&B, News & Gift, Duty Free, and Speciality Retail, with the agreed LaGuardia US competitor set<sup>39</sup>, and with European domestic / EU airports<sup>40</sup>.

The forecast sales in each of the core categories plus advertising income per enplaning passenger in the New CTB (when all space is fully opened), is shown below, along with 2012 figures for the Existing CTB.

<sup>38</sup> Pragma Airport Benchmark Database

<sup>39</sup> Airport Revenue News Factbook 2013 (with 2012 data)

<sup>40</sup> Pragma Airport Benchmark Database

**Table 12: Sales per Enplaning Passenger by Category for Existing (2012)<sup>41</sup> and New CTB (2021)<sup>42</sup>**

Sales per Enplaning Pax 2014 \$	Food & Beverage	Duty Free*	News & Gift	Speciality Retail	Services
Existing CTB (2012)	\$6.10	\$7.47	\$2.53	\$0.82	\$0.32
New CTB (2021)	\$9.07	\$10.69	\$2.61	\$4.98	\$1.69

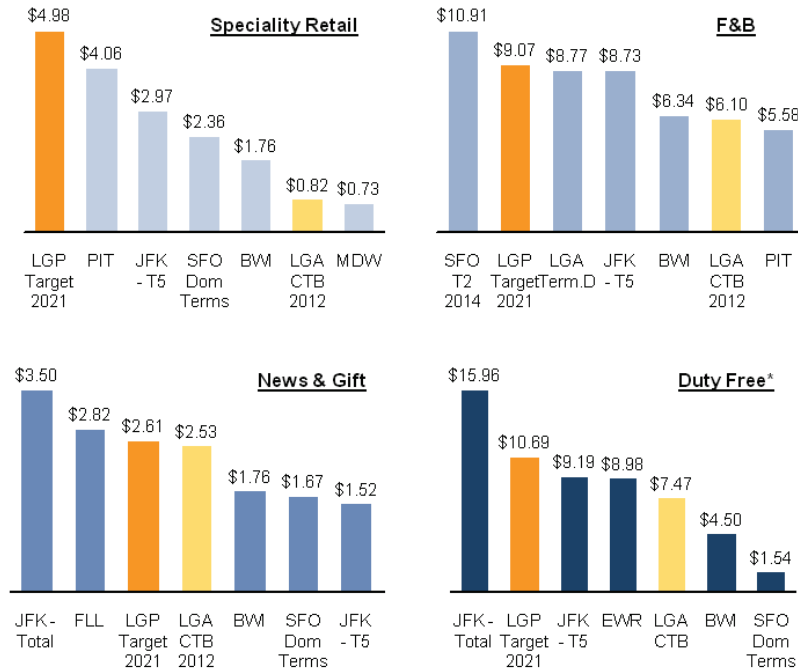
\*Spend per international enplaning pax

The sales per enplaning passenger by category are forecast to be achieved over a period of three years from the opening of the unit, with 90% of forecast spend achieved in year 1, 95% in year 2, and 100% in year 3.

With the exception of the News & Gift category, where spend is at a good level, there is marked room for sales growth in each of the other three core product categories. In the Services category, the increase is forecast to arise from a number of elements including the mobile kiosk programme, sales from pop-up shops / events in the flexible central space, the business lounge, valet parking and other VIP services.

The forecast levels of spend per enplaning passenger are considered achievable in the context of the increase in space and improved design / layout of the New CTB, and when compared with levels of spend seen at other domestic US airports, and other LGA terminals in the case of F&B (note, benchmark spend levels on Services are not available due to the broad nature of possible offers).

**Figure 33: Spend per Enplaning Passenger by Category – New CTB 2021 Forecast<sup>43</sup> & US 2012 Benchmarks except as indicated (all 2014 \$)<sup>44</sup>**



In the case of Speciality Retail, there is no example of global best practice in the US, in terms of layout, merchandising, or mix, and therefore European and global airports should be viewed as the benchmark in this

<sup>41</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

<sup>42</sup> Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05

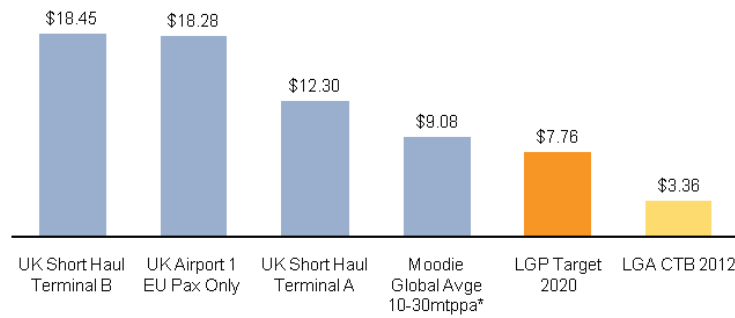
<sup>43</sup> Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05

<sup>44</sup> Airport Revenue News Factbook 2013 (with 2012 data)



case, where spend levels are considerably higher. The benchmarks available are for all retail except Duty Free, and therefore are shown here as the total of News & Gift and Speciality Retail for true comparability.

**Figure 34: Speciality Retail + News & Gift Spend per Enplaning Passengers by Category – Non-US Benchmarks (2014 \$)<sup>45</sup>**



\*million total passengers per annum

It is apparent that with a high standard of retailing, a relevant and broad offer, and well-located units, there is a good opportunity for US airports in general and the New CTB in particular to emulate other similar airports in the UK (and globally) in raising the amount of spend on Speciality Retail specifically.

### 6.3.1.1 Benchmarking of Forecast Sales by Category

In order to provide a forward benchmark to compare against the forecast evolution of sales per enplaning passenger by category in the New CTB between 2015 and 2021, a basket of similar airport terminals have been chosen and the 2011 actual spend per enplaning passenger increased year on year by a conservative 2% growth per annum.

The basket of airport terminals includes San Francisco Domestic Terminal, JFK T5, Baltimore, Orlando, and Pittsburgh (except for Duty Free, where there are no sales at Pittsburgh). In each category, the average spend per enplaning passenger across all of these terminals is shown in the charts below, and compared to the current actual and forecast spend at the CTB for 2011 to 2021.

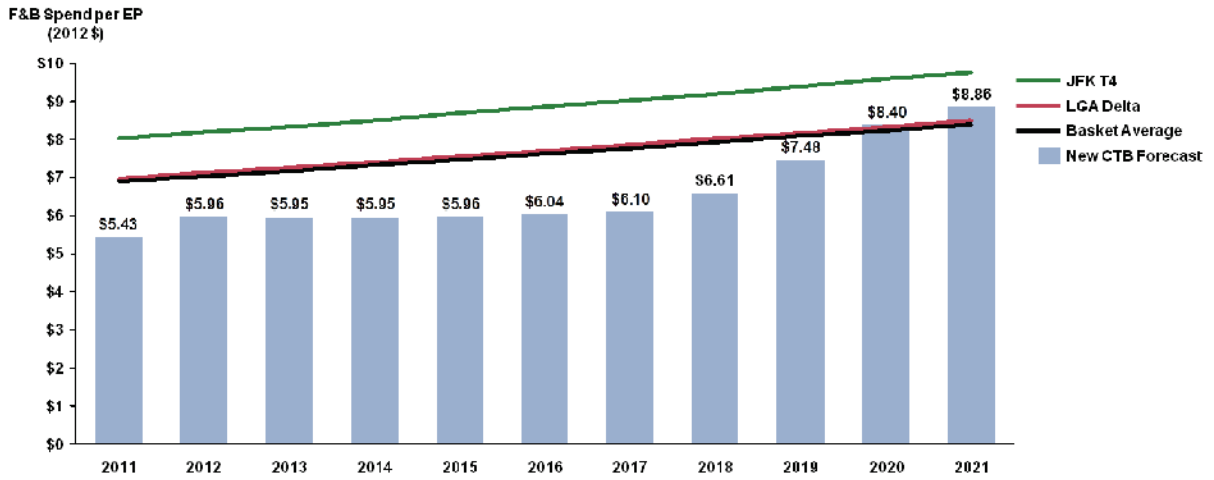
In addition, JFK T4 is shown to provide a comparison with spend at a predominantly international terminal, as well as selected individual terminals to highlight comparable high performers and show the opportunity for the New CTB.

<sup>45</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012, Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05, The Moodie Report 2013, Pragma Airport Benchmark Database

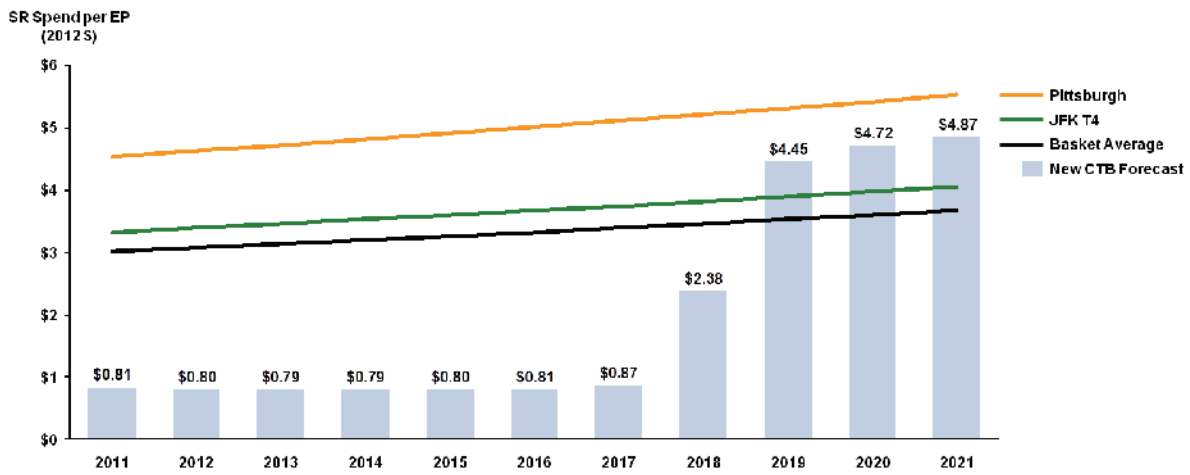


Figure 35: Spend per Enplaning Passenger by Category – CTB Actual & Forecast vs Benchmark Forecasts (Grown @ 2% Per Annum) 2011-2021 (all 2012 \$)<sup>46</sup>

### Food & Beverage



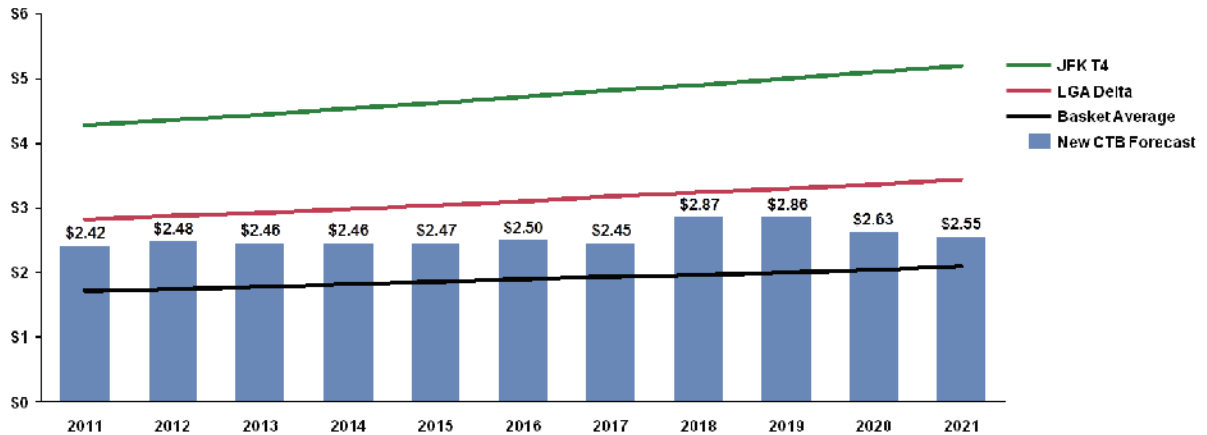
### Specialty Retail



<sup>46</sup> Airport Revenue News Factbook 2012 (with 2011 data), Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05

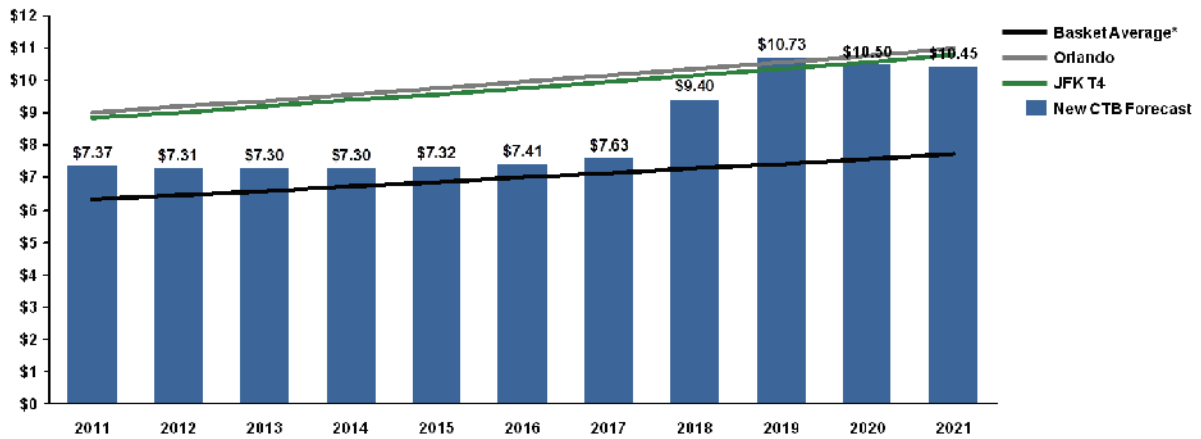
## News & Gift

N&G Spend per EP  
(2012 \$)



## Duty Free (spend per enplaning international passenger; \*basket excludes Pittsburgh)

DF Spend per Int.  
EP (2012 \$)



Therefore it is clear that in each category the forecast spend per passenger aims to be near or above the average spend of the basket of comparator terminals, but also that the forecasts are feasible in that in each case individual other terminals are likely to be achieving these levels of spend in 2021 with realistic growth rates. The New CTB aims to be have the leading commercial offer of any US domestic airport, and therefore these forecasts are considered reasonable.

### 6.3.2 Improved Operational Practices

Applicable to concessionaires in both the Existing and New CTB, current practices under the incumbent management team have been evaluated as far as possible through consideration of category mix, merchandising, and location of current concessions (no communication was possible with management).

Using Vantage commercial team experience of managing a portfolio of airports, combined with Pragma database and experience of benchmark airport management improvement targets, annual uplifts as a percentage of revenue on an ongoing basis have been estimated.

Bringing best management practice to existing and new concessionaires is forecast to result in the following ongoing uplifts to revenue across all of the core commercial product categories by year, for the space that is open in the period.

**Table 13: Forecast % Uplifts in Concession Revenue at Existing and New CTBs 2015-2050<sup>47</sup>**

% Increase in revenue	2015	2016	2017	2018	2019	2020	2021-2050 pa
Existing CTB	+0.5%	+3.0%	+3.0%	+0.5%	+0.5%	+0.5%	n/a
New CTB	n/a	+0.5%	+0.5%	+0.5%	+0.5%	+0.5%	+0.5%

The results of passenger research, combined with LGP and Pragma evaluation of the breadth and mix of the current offer, indicate that there is room for improvement in terms of how current concessionaires are managed, with existing management not appearing to actively manage tenants in an effective manner. As a result, there is good opportunity for a collaborative partnership between operator and concessionaires to effect significant change in retail practices and thus improved revenues in the Existing CTB.

Given that LGP will have greater influence on tenant management from the start of 2015, it is reasonable to forecast an increased level of improvement in years 2 and 3 of operating the terminal, when the new commercial team have understood the current situation and can bring about real changes. Therefore +3% increases have been estimated for these years.

On an ongoing basis, many of the successful commercial programmes in airports around the world target and achieve a 0.5% to 1% uplift in commercial revenues on an annual basis through hands-on management of tenants, and thus +0.5% annual forecast has been estimated for the New CTB.

### 6.3.3 Better Rental Negotiations

Applicable to contract negotiations when concessions are opened in the New CTB, target yield percentages for new concessionaires have been estimated by core product category according to actual achieved yields by Vantage in other airports, and established standards in the US airport industry.

The target yields considered achievable in each category for new concession space are shown below, with existing yields.

**Table 14: Current and Forecast Concession Yields by Category**

Category	Food & Beverage	News & Gift	Duty Free	Speciality Retail	
Existing CTB 2012 Yield <sup>48</sup>	17.0%	16.7%	26.3%	14.8%	
New CTB 2020 Forecast Yield	18%	19%	30%	18%	

The target yields are those achieved by other airport operators (including Vantage) in existing contracts in North America and around the world, as seen by Pragma and LGP; these are considered achievable for the New CTB given the new layout and quality of commercial space, as well as its passenger profile.

<sup>47</sup> Pragma Non-Aero Revenue & Income Model draft V5 2014-05-05

<sup>48</sup> PANYNJ: MPD Tenant Sales Rent Detail – 2012

## 6.4 Other Key Assumptions

There are a number of other assumptions that have been made to produce the latest output of the non-aero revenue model, around revenue drivers and other charges to concessionaires. These are listed below.

**Table 15: Non-Aero Revenue Model V4 Other Key Assumptions**

Revenue Driver	Assumption
Marketplace	LGP has the right to terminate the MarketPlace contract and manage the concession program directly, subject to a payment for unamortized capital expenditure
Airline Revenue Share	For revenues generated within the Existing CTB concourses A, B and C, the airlines receive 50% of Retail revenues and 80% of Food and Beverage revenues, for the duration the relevant concessions remains open
ATMs	It is assumed that the current ATM operator, Wachovia, will continue its current contract of fixed rent of \$648,000 per annum plus 52% of turnover until the end of the concession period in 2050. No growth has been applied to the spend per passenger
Existing CTB Yield	For the Existing CTB, concessionaires continue to pay the same effective rents / yield as current until they are closed
Headhouse Concession Maturity	A two year maturity curve from month of opening has been applied to all concession tenants in the New CTB headhouse, with units achieving 90% of the Pragma forecast sales in year 1, 95% in year 2, and 100% from year 3 onwards
Other Concessionaire Charges	Assumption
Common Area Maintenance	For Existing CTB concessionaires continue to pay their current rate until closed, for New CTB a charge of \$21.87 per sq ft has been applied (average charge per sq ft of existing space) for fast food tenants, and c.\$17.54 for all other tenants
Marketing Fee	For Existing CTB concessionaires continue to pay their current rate until closed, for New CTB a charge of 0.5% of turnover has been applied
Customer Services	For Existing CTB, concessionaires continue to pay their current rate until closed, for New CTB a fee of \$1,290 per unit has been applied
Storage	For Existing CTB, concessionaires continue to pay their current rate until closed, for New CTB it has been assumed that storage area will amount to 10% of concession space and a fee of \$38.08 has been applied per sq ft (current average charge per sq ft assuming that current storage also amounts to 10% of concession space)

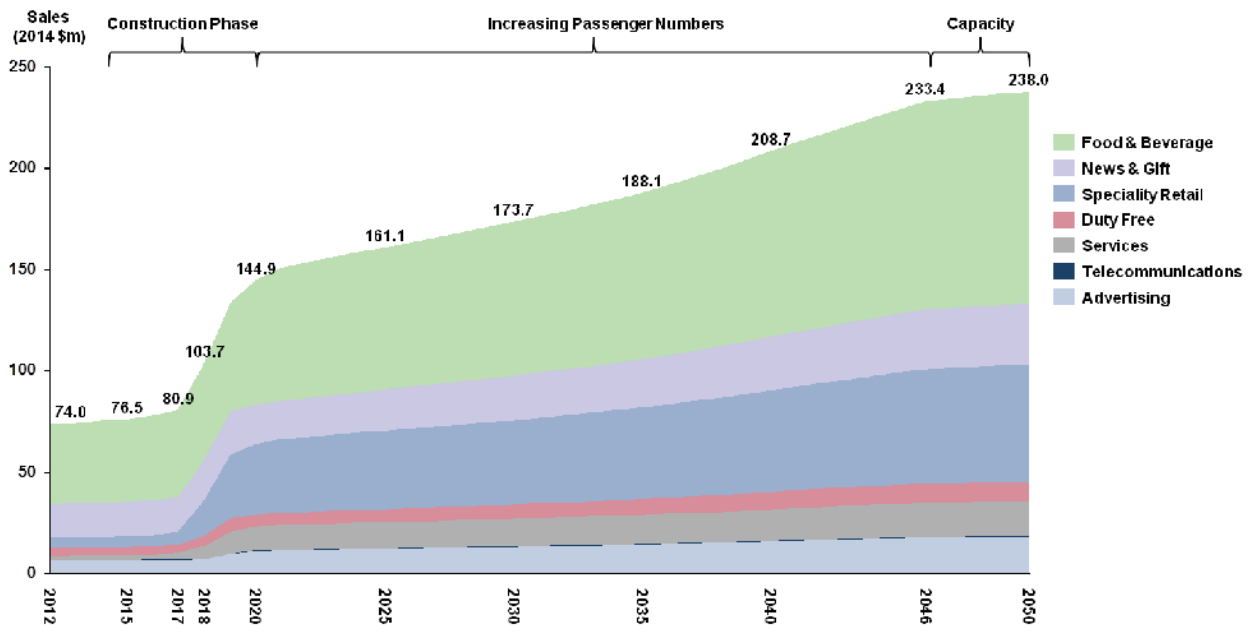
## 7. Base Case Results (Pragma Non-Aero Model V5.4)

The results shown in this section are the financial outputs (concession sales and airport operator income) of the final version of the non-aero model (V5.4 final version, dated 5<sup>th</sup> May 2014), according to the methodology and assumptions described above. All outputs from this version of the model are in 2014 US dollars.

### 7.1 Forecast Concession Sales

The chart below shows actual 2012 and forecast 2013-2050 annual concession sales by key commercial category (Food & Beverage, News & Gift, Speciality Retail, and Duty Free) and for Services (financial services, ATMs, mobile and pop-up shops, third party business lounge, and valet parking), Telecommunications, and Advertising. Please note that there is no Other revenue as these are income streams paid directly to the airport operator and thus not reflected as concession sales. These are the total sales achieved in each category and do not represent revenues to the airport operator.

**Figure 36: Actual (2012) and Forecast (2013-2050) Annual Concession Sales by Category (2014 \$m)**



Between 2012 and 2017, sales grow due to increasing passenger numbers, improved operational practices, and a small amount of new space. The significant increase in sales in 2018 and 2019 reflects the opening of the main central retail area in the New CTB headhouse, and thus a significantly increased amount of optimised space coming online with resultant spend rises across categories.

There are minor increases in space through to 2021 as the new pier A opens in stages, following which the increase in annual concession sales is driven by increasing passenger numbers (to capacity in 2047) and improved operational efficiencies (for the duration of the lease period to 2050).

The table below shows concession sales by category on a spend per enplaning passenger basis at 2012, 2021 (the end of the construction phase), and 2050, to illustrate how spend evolves independent of traffic. Please note these are slightly increased from those shown in the benchmark comparisons as the model output is 2014 dollars whereas all benchmark comparisons are 2012 dollars due to source data restrictions.

**Table 16: Spend per Enplaning Passenger by Category at Key Stages of Lease Period (2014 \$)**

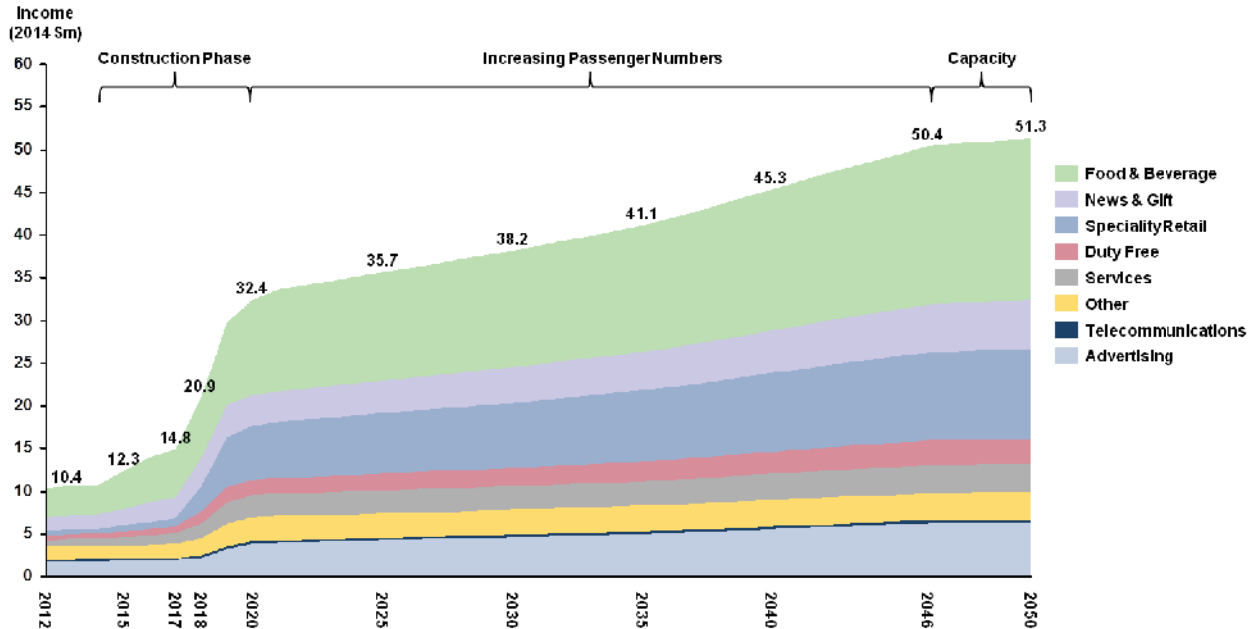
Category	Spend per Enplaning Passenger				
	2012	% change	2021	% change	2050
Food & Beverage	\$6.10	+49%	\$9.07	+16%	\$10.49
News & Gift	\$2.53	+3%	\$2.61	+16%	\$3.02
Speciality Retail	\$0.82	+509%	\$4.98	+16%	\$5.76
Duty Free	\$0.65	+30%	\$0.85	+16%	\$0.98
Services	\$0.32	+422%	\$1.69	-1%	\$1.68
Telecommunications	\$0.03	0%	\$0.03	0%	\$0.03
Advertising	\$0.98	+62%	\$1.58	+16%	\$1.83
<b>Total</b>	<b>11.43</b>	<b>+82%</b>	<b>\$20.81</b>	<b>+14%</b>	<b>\$23.79</b>

Therefore the total spend per enplaning passenger is forecast to rise from \$11.43 in 2012 to \$23.79 in 2050 (at constant 2014 \$), an overall increase of 108%.

### 7.2 Airport Operator Income

The chart below shows actual 2012 and forecast 2013-2050 annual airport operator income, as per the terms of the Lease and the assumptions listed in the previous section. This includes all the categories shown in the concession sales output, with the additional Other category, which comprises additional income streams payable to the airport operator by concessionaires (CAM, Marketing Fee, Customer Services, and Storage).

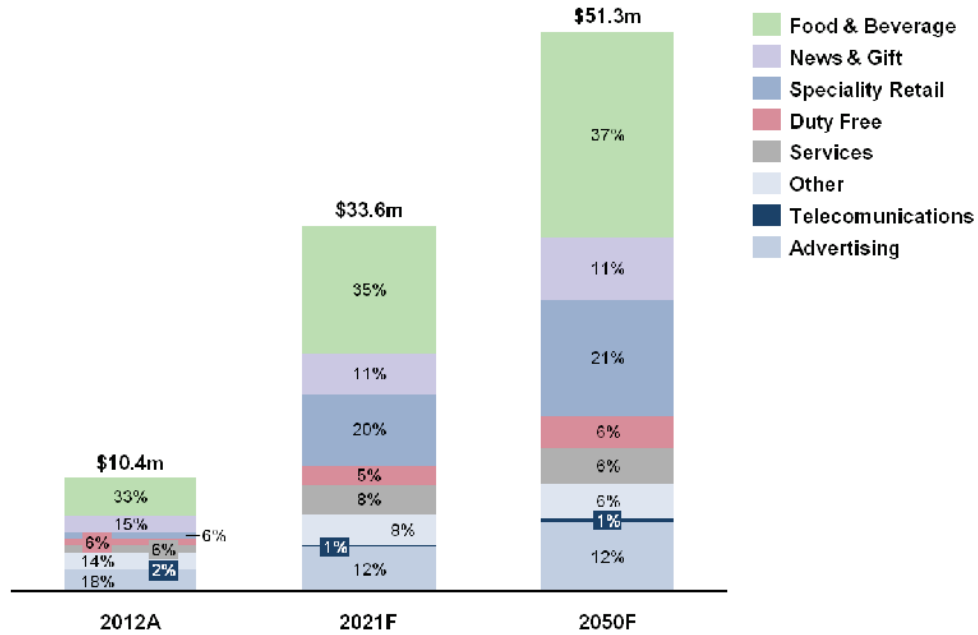
**Figure 37: Actual (2012) and Forecast (2013-2050) Annual Airport Operator Income by Category (2014 \$m)**



There is a similar pattern for operator income as for concession sales across the lease period, due to the generally linear relationship between the two for each category.

The chart below illustrates in percentage terms how the income is divided between categories at 2012, 2021, and 2050.

Figure 38: Breakdown of Actual (2012) and Forecast (2021, 2050) Operator Income by Category (2014 \$m)

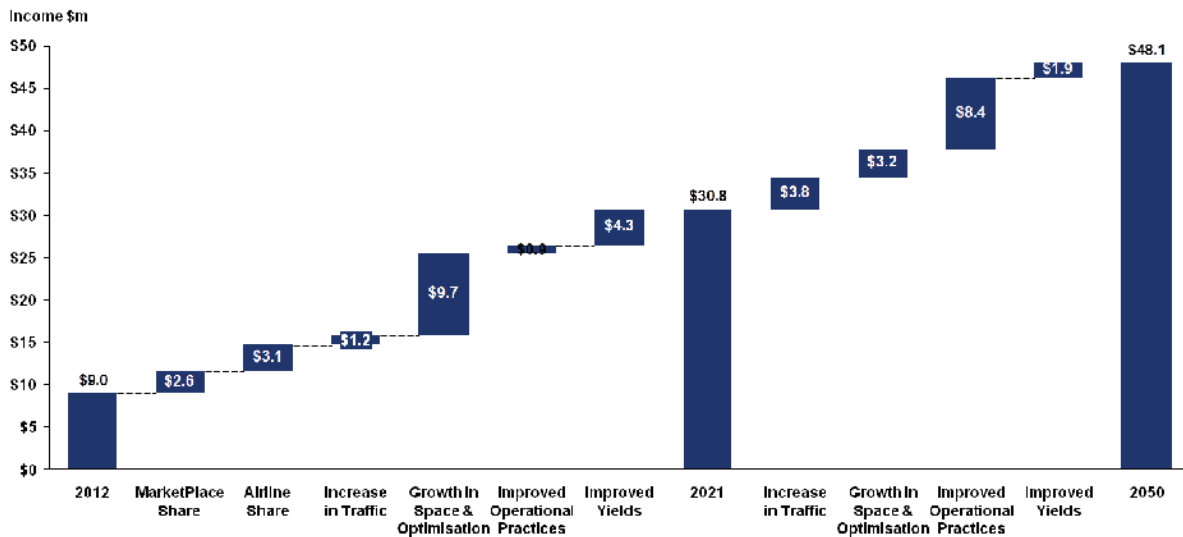


The income from Food & Beverage increases slightly similar as a proportion of the total, at just above a third of operator income, as does Duty Free income, at 6% of income, and Services, at 6%. Speciality Retail income increases markedly both in absolute terms and as a percentage of the total, to 21% by 2050, with News & Gift, Other, and Advertising income decreasing as a proportion of the total.

### 7.3 Bridge Analysis

In terms of the relative effects of traffic and the three commercial impactors on concession airport operator income (and therefore excluding Other income), the following bridge analysis chart gives an indicative view of the importance of each, with increased and optimised space a key driver of increased income between 2012 and 2021, while improved operational practices are key between 2021 and 2050.

Figure 39: Airport Operator Income Bridge Analysis 2012-2021-2050\* (2014 \$m)



\*Excludes Other income (ie. that from CAM, Marketing Fund, Customer Services, and Storage)

## 7.4 Commercial Scenarios

There are eight commercial scenarios which have been run on V5.4 of the model to represent possible variations in outcome of introducing the new commercial layout and merchandise mix. These are summarised in the table below.

Table 17: Commercial Scenarios<sup>49</sup>

Scenario Name	Description	Upside / Downside	Timing from Base	Brief Summary of Approach
Commercial 1	All concessionaires run on minimum guarantee, reflecting a widespread reduction of consumer spending	Downside	2014 - 2050	Concessionaires run on 85% of forecast income
Commercial 2	Passengers do not dwell or spend in headhouse	Downside	2014 - 2050	Reduction in spend per pax in all categories in headhouse units, and an uplift in relevant categories in concourse units
Commercial 3	New retail operators take longer than anticipated to ramp up in the New CTB and to achieve target levels due to novelty of concept and new operations in airport environment	Downside	2014 - 2050	Reduction in spend per pax, predominantly in specialty retail. Operators end up at the same target SPP but over a longer period
Commercial 4	Increase in effective specialty retail yields are not achieved through bid process due to increased costs to operators (high end brands or living wage etc)	Downside	2014 - 2050	Reduction in effective yield on specialty retail from 20 to 17% (rent negotiated and received from specialty retail operators)

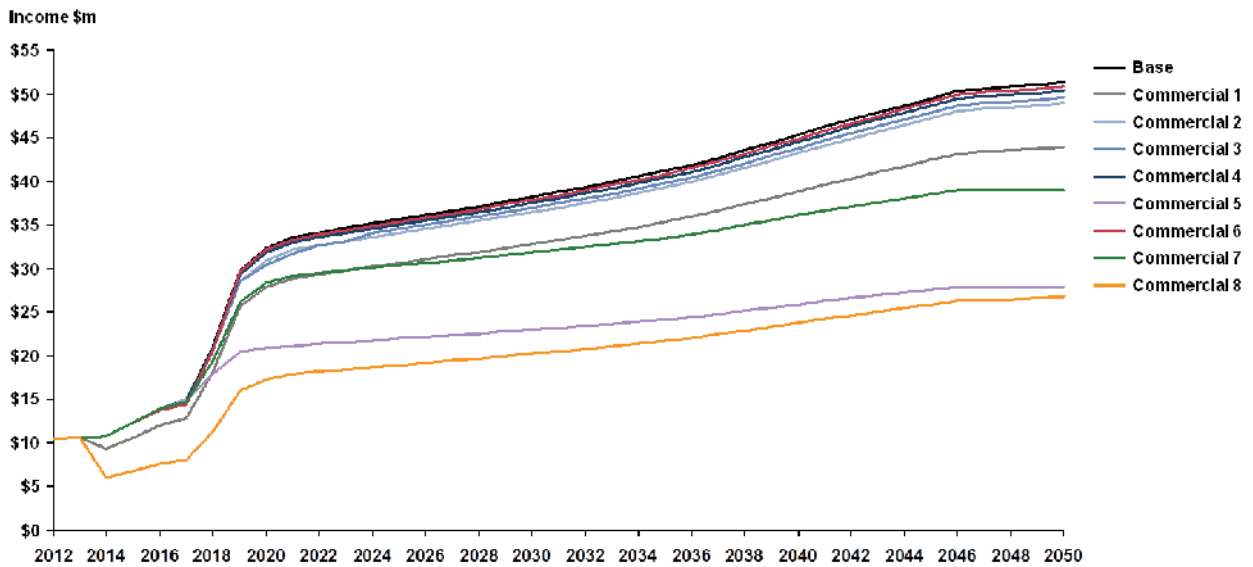
<sup>49</sup> LGP Business Case Scenarios v0.4 140316 Commercial



Commercial 5	No increase in passenger spend from 2012 levels	Downside	2014 - 2050	Continue existing SPEP non-aero revenue from 2012 with no increase over time
Commercial 6	No operational practice uplift during construction	Downside	2014-2021	No uplift for improved operational practices during construction (2014-2021); uplifts applied in 2021 through 2050 as in base case
Commercial 7	No uplifts for operational practices or increased yields	Downside	2014 - 2050	No uplift for improved operational practices or one-time uplift for yields in New CTB
Commercial 8	Spend per passenger is 50% lower than forecast	Downside	2014 - 2050	Reduce spend per passenger by 50% across all categories

These impact on income over the course of the Lease period of each of these scenarios is shown in the chart below.

**Figure 40: Impact of Commercial Scenarios on Airport Operator Income 2012-2050 (2014 \$m)**



Therefore no increase in passenger spend levels (scenario 5) and reducing spend by 50% (scenario 8) have the most marked effect on commercial operator income.

## APPENDIX I – Pittsburgh Airport / Airmall Case Study

Pittsburgh International Airport had 4.2m departing passengers in 2011, of which 98% were domestic US passengers (and therefore the airport has no Duty Free offer), and mainly originating and departing passengers rather than transfer<sup>50</sup>. There are no available data on detailed passenger profile (i.e. by journey type, age, gender, income etc.)

Spend per enplaning passenger is reported by the ARN as being \$11.94 in 2011 (of which \$4.46 came from Speciality Retail, \$2.07 from News & Gift, and \$5.41 from Food & Beverage), although press reports quote enplaning passenger spend of \$14.04 in 2011 at Pittsburgh<sup>51</sup>.

While the airport has a central retail area, this only accounts for 52% of all retail / food & beverage units (with 41% on the four concourses and 8% landside)<sup>52</sup>. The layout is also not optimum, with a large unoccupied central space:



There were 31 Speciality Retail stores in 2011 (prior to the start of the current regeneration programme), ranging in size from 200 sq ft to over 3,000 sq ft, and of which 26 were located on the perimeter of the central core, with long walking distances between sides and clear passenger flow routes straight to gate, reducing the ability to maintain dwell within the core commercial area

The range of Speciality Retail shops was reasonable in 2011, though improvements are being planned in terms of quality of offer; while several of the current tenants would fit well in the New CTB, a more aspirational offer focused on the passenger mix will be the aim:

<sup>50</sup> ARN Factbook 2012

<sup>51</sup> Airmall Website, Pittsburgh Post-Gazette

<sup>52</sup> ARN Factbook 2012

Table 18: Pittsburgh Speciality Retail Tenants 2011<sup>53</sup>

Speciality Retail Sub-Category	No. Stores	Space (sq ft)	Retailers	New CTB Suitability
Clothing & Footwear	11	14,024	Brooks Bros, Gap, PGA Tour, Crocs, Nine West, Johnston & Murphy, Lids, Radio Rd, Soxx	Average
Health & Beauty	4	4,882	GNC, Rite Aid, L'Occitane, The Body Shop	Strong
Accessories	4	4,184	Bijoux Bellagio, Bon Voyage, Sunglass Hut, Brighton Collectibles	Good
Jewellery & Watches	4	1,794	Swarovski, Swatch, Taxco Sterling, Ultra Diamonds	Good
Electronics	3	3,412	Airport Wireless, Brookstone, InMotion	Average
Souvenirs	3	3,365	Zozo, Creative Kidstuff, Sue Venir	Weak
Books	2	1,853	Hudson Books	Strong

Airmall USA, which runs the commercial programme at Pittsburgh, has recently undertaken a major regeneration of the retail offer at the airport, with more upmarket and aspirational Speciality Retail brands to be included. The company signed a seven-year agreement in 2013 with Italian retail operator, Airst Collezioni, to open up to eight new branded stores at Pittsburgh International Airport's Center Core, which is currently being renovated.

The stores will be spread across a 10,000sqft area and form an integral part of an ongoing \$10 million overhaul of the facility – the biggest since it opened over 20 years ago. When complete, Airmall expects the enhanced concessions programme will grow its annual revenue by between 10% and 20% over current figures.

The Airst branded stores include:

- Pinko (734sq ft), which will be opening its first US store and offering high-quality, elegant fashion for women
- Furla (561sq ft) will offer leather goods and accessories
- Tumi (895sq ft) will boast a dual façade store for its suitcases, briefcases, bags and travel accessories
- Lacoste (567sq ft) will offer travellers a wide selection of high-end apparel for men and women
- Desigual (819sq ft) will introduce its women's clothing and accessories ranges
- Collezioni – The Beauty Gallery (3,500sq ft) is described as “a first-of-its kind high-design beauty store that will offer more than 100 fragrance, cosmetic and skincare brands from top international names to ‘best-kept-secret’ exclusives.”<sup>54</sup>

Airmall Pittsburgh Vice President Jay Kruisselbrink said: "This new assortment of well-known and specialty premium retail brands will change the face of the airport's Center Core and create a true shopping destination for travellers. We are excited to offer a wide selection of sophisticated, elegant and stylish clothes and accessories. We're also going to open a first-of-its-kind beauty destination for travellers looking for their favourite cosmetics, fragrances or skincare products on-the-go. At the same time, we're excited about several other well-known fashion and accessory brands that we expect to announce later this fall."

This is a good example of the expansion of the Speciality Retail offer that is now becoming more widespread at US airports, as they recognise the opportunity in this historically underspaced category across the States, as well as the importance of having an effectively designed commercial 'core' rather than a walk past 'hall', and an appropriately targeted product & brand mix.

In addition, it is clear that more aspirational brands are being included in the mix compared to historically, particularly in the fashion and accessories sub-categories, which suggests this is seen as a growth area by Airmall.

<sup>53</sup> ARN Factbook 2012

<sup>54</sup> The Moodie Report

## **Airmall USA**

Airmall USA originated at Pittsburgh Airport, and now develops and manages four concession programmes across the USA, with a successful engagement in particular at Baltimore Airport over the last 10 years.

Airmall USA Inc. (previously BAA USA to 2010) is a wholly-owned subsidiary of NY-based investment company Prospect Capital Corporation. It is an airport retail, food and beverage concession developer and manager, with four retail development contracts, at Pittsburgh International Airport, Cleveland Hopkins International Airport, Baltimore/Washington International Airport and Boston Logan International Airport.

The business originated at Pittsburgh Airport and is still based there. Pittsburgh International and BAA Pittsburgh introduced the Airmall concept with the opening of the midfield terminal in 1992, filling the terminal with familiar retailers and restaurants and matching prices downtown.

Airmall does not operate its own concessions (and so does not act as a master concessionaire in the traditional sense), but lets the commercial space to local, regional or national tenants via sub-leases while contracting with the airport operator to pay them a percentage of gross revenue.

For example, at Pittsburgh, the length of the Airmall lease will be extended from the end of 2017, when it was set to expire, to the end of 2029. As part of the deal, the Airmall will continue to pay the current rate of 59% of gross revenue to the airport authority until the end of 2017. The rate then will jump to 77% through 2029.<sup>55</sup>

Airmall works with the airport operator to improve the commercial proposition, for example at Baltimore they implement customer service programmes, deal with management issues, and undertake marketing initiatives. We understand they also make a capital investment in the commercial space.

According to Baltimore management, the arrangement has been successful, with total sales per enplaning passenger reported to have doubled over the past 10 years, which is how long Airmall has been operating the concessions there; there has been much new space added at the airport, and the team have worked hard to bring in new categories as well as the most suitable tenants for the local passenger mix. They also consider Speciality Retail to hold opportunity for the future, with electronics having worked well at Baltimore, and new fashion outlets being introduced currently, with brands seen as important to give passengers comfort in the concepts.<sup>56</sup>

---

<sup>55</sup> Pittsburgh Post-Gazette

<sup>56</sup> Baltimore Airport Management Interviews

## Appendix II – Airport Operator Annual Income by Existing / New CTB

The tables below show the annual airport operator income, in 2014 \$, split by category for each of the Existing and New CTB buildings, from 2012-2050. Please note that the Existing CTB ceases to generate any income after 2020.

### Existing CTB Operator Income 2012-2025 \$m

Airport Operator Income Existing CTB 2014 USD, \$m	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Food & Beverage	3.45	3.48	3.53	4.37	5.21	5.08	3.58	0.92	0.32	0.00	0.00	0.00	0.00	0.00
News & Gift	1.54	1.56	1.58	1.92	2.27	2.13	1.73	0.66	0.22	0.00	0.00	0.00	0.00	0.00
Speciality Retail	0.60	0.60	0.61	0.71	0.81	0.84	0.50	0.02	0.01	0.00	0.00	0.00	0.00	0.00
Duty Free	0.60	0.55	0.56	0.68	0.81	0.85	0.64	0.18	0.06	0.00	0.00	0.00	0.00	0.00
Services	0.67	0.88	0.89	1.01	1.13	0.88	0.69	0.48	0.26	0.00	0.00	0.00	0.00	0.00
Other	1.51	1.51	1.51	1.51	1.51	1.43	0.95	0.23	0.10	0.00	0.00	0.00	0.00	0.00
Telecommunications	0.17	0.17	0.17	0.17	0.17	0.15	0.09	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Advertising	1.88	1.90	1.93	1.95	1.98	1.70	0.97	0.17	0.08	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>10.40</b>	<b>10.64</b>	<b>10.76</b>	<b>12.33</b>	<b>13.89</b>	<b>13.06</b>	<b>9.14</b>	<b>2.68</b>	<b>1.06</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### New CTB Operator Income 2012-2050 \$m

Airport Operator Income New CTB 2014 USD, \$m	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Food & Beverage	0.00	0.00	0.00	0.00	0.00	0.47	3.57	8.76	10.76	11.84	12.05	12.26	12.46	12.66
News & Gift	0.00	0.00	0.00	0.00	0.00	0.26	1.50	3.13	3.41	3.60	3.67	3.73	3.79	3.85
Speciality Retail	0.00	0.00	0.00	0.00	0.00	0.09	2.47	5.83	6.30	6.60	6.72	6.83	6.95	7.06
Duty Free	0.00	0.00	0.00	0.00	0.00	0.00	0.65	1.62	1.76	1.84	1.88	1.91	1.94	1.97
Services	0.00	0.00	0.00	0.00	0.00	0.37	1.06	1.95	2.30	2.62	2.64	2.66	2.68	2.70
Other	0.00	0.00	0.00	0.00	0.00	0.20	1.15	2.50	2.73	2.85	2.86	2.87	2.88	2.89
Telecommunications	0.00	0.00	0.00	0.00	0.00	0.03	0.12	0.21	0.22	0.23	0.23	0.24	0.24	0.24
Advertising	0.00	0.00	0.00	0.00	0.00	0.35	1.25	3.12	3.84	4.01	4.08	4.15	4.22	4.29
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1.77</b>	<b>11.78</b>	<b>27.12</b>	<b>31.32</b>	<b>33.60</b>	<b>34.14</b>	<b>34.65</b>	<b>35.16</b>	<b>35.66</b>

Airport Operator Income New CTB 2014 USD, \$m	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Food & Beverage	12.86	13.05	13.25	13.46	13.67	13.89	14.12	14.34	14.58	14.84	15.12	15.44	15.78	16.14
News & Gift	3.91	3.97	4.03	4.09	4.16	4.23	4.29	4.36	4.43	4.51	4.60	4.69	4.80	4.91
Speciality Retail	7.17	7.27	7.39	7.50	7.62	7.74	7.87	8.00	8.13	8.27	8.43	8.60	8.80	9.00
Duty Free	2.00	2.03	2.06	2.10	2.13	2.16	2.20	2.23	2.27	2.31	2.36	2.40	2.46	2.51
Services	2.72	2.74	2.76	2.78	2.80	2.82	2.84	2.86	2.88	2.91	2.93	2.96	3.00	3.04
Other	2.90	2.91	2.92	2.94	2.95	2.96	2.97	2.98	3.00	3.01	3.02	3.04	3.06	3.08
Telecommunications	0.25	0.25	0.25	0.25	0.26	0.26	0.26	0.26	0.27	0.27	0.27	0.28	0.28	0.29
Advertising	4.35	4.42	4.49	4.56	4.63	4.71	4.78	4.86	4.94	5.03	5.12	5.23	5.35	5.47
<b>Total</b>	<b>36.16</b>	<b>36.65</b>	<b>37.15</b>	<b>37.67</b>	<b>38.22</b>	<b>38.77</b>	<b>39.33</b>	<b>39.90</b>	<b>40.50</b>	<b>41.15</b>	<b>41.86</b>	<b>42.65</b>	<b>43.53</b>	<b>44.43</b>

Airport Operator Income New CTB 2014 USD, \$m	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Food & Beverage	16.50	16.85	17.18	17.51	17.83	18.16	18.49	18.61	18.70	18.79	18.89
News & Gift	5.02	5.12	5.23	5.32	5.42	5.52	5.62	5.66	5.69	5.72	5.74
Speciality Retail	9.19	9.39	9.58	9.76	9.94	10.12	10.31	10.37	10.42	10.48	10.53
Duty Free	2.57	2.62	2.68	2.73	2.78	2.83	2.88	2.90	2.91	2.93	2.94
Services	3.07	3.11	3.14	3.17	3.20	3.23	3.26	3.26	3.26	3.26	3.26
Other	3.10	3.12	3.14	3.15	3.17	3.19	3.21	3.21	3.22	3.22	3.23
Telecommunications	0.29	0.30	0.30	0.31	0.31	0.32	0.32	0.32	0.32	0.32	0.32
Advertising	5.59	5.70	5.82	5.93	6.04	6.15	6.26	6.30	6.33	6.36	6.40
<b>Total</b>	<b>45.33</b>	<b>46.21</b>	<b>47.06</b>	<b>47.88</b>	<b>48.70</b>	<b>49.52</b>	<b>50.35</b>	<b>50.63</b>	<b>50.85</b>	<b>51.08</b>	<b>51.31</b>

**Appendix C**

**INFORMATION RELATING TO  
THE PORT AUTHORITY**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



APPENDIX C

**I. INTRODUCTION**..... I-1

**Description of the Port Authority**..... I-1

        General..... I-1

        Facilities..... I-1

        Finances..... I-2

        Financial Statements..... I-2

        Annual Budget..... I-3

        2014-2023 Capital Plan..... I-4

        Annual Operating Results..... I-5

        Hudson River Rail Tunnel..... I-5

        Certain Subpoenas and Other Matters..... I-6

**Investment Policies of the Port Authority**..... I-9

**Insurance**..... I-9

        Property Damage and Loss of Revenue Insurance Program..... I-9

        Public Liability Insurance Programs..... I-9

        Construction Insurance Programs..... I-10

        Port Authority Insurance Captive Entity, LLC..... I-10

**Claims and Certain Litigation Against the Port Authority**..... I-10

**Certain Information Pertaining to this Appendix C and the Port Authority**..... I-11

**II. DESCRIPTION OF THE PORT AUTHORITY AND ITS FACILITIES**..... II-1

**Management**..... II-1

        Board of Commissioners..... II-1

        Staff..... II-2

        Organization Chart..... II-4

        Certain Ongoing Port Authority Governance Initiatives..... II-5

        Code of Ethics and Financial Disclosure..... II-6

**Operations and Annual Budget**..... II-6

        Navigant/Rothschild 2012 Reports on the Port Authority..... II-6

        The Impact of Superstorm Sandy on the Port Authority..... II-6

        2015 Operating Results..... II-7

        2016 Annual Budget Compared to 2015 Actual Expenditures..... II-7

        Staffing Levels..... II-8

        Operating and Construction Costs..... II-8

        Certain Information With Respect to Security Initiatives at Port Authority Facilities..... II-8

        Proceeds of Bonds, Notes and Other Obligations.... II-9

        Limitations on Variable Interest Rate Obligations..... II-10

**Interstate Transportation Network**..... II-10

        Holland Tunnel..... II-12

        Lincoln Tunnel..... II-12

        George Washington Bridge..... II-12

        Bayonne Bridge..... II-13

        Goethals Bridge..... II-14

        Outerbridge Crossing..... II-15

        Port Authority Bus Terminal..... II-15

        Railroad — The Hudson Tubes Facility..... II-16

        Meadowlands Passenger Rail Facility..... II-18

        Trans-Hudson Ferry Service..... II-18

**Air Terminals**..... II-19

        Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters..... II-20

        Federal Aviation Administration Congestion Management..... II-21

        LaGuardia Airport..... II-21

        John F. Kennedy International Airport..... II-22

        Newark Liberty International Airport..... II-23

        Teterboro Airport..... II-24

        Stewart International Airport..... II-24

        Atlantic City International Airport..... II-25

**World Trade and Economic Development**..... II-26

        The World Trade Center..... II-26

        The Port Authority’s Downtown Restoration Program..... II-30

        The World Trade Center Transportation Hub..... II-31

        World Trade Center Infrastructure Projects..... II-31

        The Memorial at the World Trade Center Site..... II-32

        Certain Liability Actions Related to the Events of September 11, 2001..... II-33

        Certain Litigation Arising From the Terrorist Bombing of February 26, 1993 at the World Trade Center..... II-34

        Newark Legal and Communications Center..... II-34

**Marine Terminals**..... II-35

        Port Newark..... II-35

        Elizabeth-Port Authority Marine Terminal..... II-35

        Greenville Yard-Port Authority Marine Terminal..... II-36

        Port Jersey-Port Authority Marine Terminal..... II-36

        Brooklyn-Port Authority Marine Terminal..... II-36

        Howland Hook Marine Terminal..... II-37

**Waterfront Development**..... II-38

        Hoboken South Waterfront Development Facility..... II-38

        Queens West Waterfront Development Facility.... II-39

**Railroad Freight**..... II-39

        Oak Point Rail Freight Link..... II-39

        New York and New Jersey Railroad Corporation.. II-40

        New York New Jersey Rail, LLC..... II-40

        Regional Rail Freight Program..... II-40

**Industrial Development**..... II-40

        Bathgate Industrial Park..... II-41

        Port Authority Industrial Park at Elizabeth..... II-42

        Newark South Ward Industrial Park..... II-42

        Teleport..... II-42

        Essex County Resource Recovery Facility..... II-42

**Pre-development Site Acquisition Program**..... II-44

**Regional Development**..... II-44

        Regional Development Facility..... II-45

        New Jersey Marine Development Program..... II-45

        Regional Economic Development Program..... II-45

## APPENDIX C

<p>Hudson-Raritan Estuary Resources Programs ..... II-45</p> <p>New York Transportation, Economic Development and Infrastructure Renewal Program ..... II-46</p> <p>Regional Transportation Program ..... II-46</p> <p><b>Additional Facilities, Capital Improvements and Certain Programs</b> ..... II-46</p> <p>Certification in Connection with Additional Facilities ..... II-47</p> <p>Certain Additional Projects Under Study ..... II-47</p> <p>Inapplicability of Statutory Covenant Against Dilution of Pledged Revenues and Reserves by Additional Passenger Railroad Deficits ..... II-47</p> <p>The Governors' Agreement of June 1, 2000 ..... II-48</p> <p>Governors' Program Related to a Bank for Regional Development, the World Trade Center and Industrial Development ..... II-49</p> <p>The Fund for Regional Development ..... II-50</p> <p>Port Authority Bus Programs ..... II-50</p> <p><b>Channel Improvement Projects</b> ..... II-50</p> <p><b>Environmental Policy</b> ..... II-51</p> <p><b>Information on Capital Investment in Port Authority Facilities</b> ..... II-52</p> <p><b>Significant Capital Projects (as of December 31, 2015)</b> ..... II-53</p> <p><b>Volume of Vehicular Traffic at all Port Authority Crossings</b> ..... II-55</p> <p><b>Oceanborne General Cargo at Port Authority Marine Terminals</b> ..... II-55</p> <p><b>Number of Passengers at Port Authority Airports</b> ..... II-55</p> <p><b>Domestic and International Air Cargo at Port Authority Airports</b> ..... II-55</p> <p><b>III. FINANCIAL STATEMENTS OF THE PORT AUTHORITY</b> ..... III-1</p> <p><b>Condensed Consolidated Financial Statements as of and for the Three-Month Period Ended March 31, 2016 (Unaudited)</b> ..... III-1</p> <p>Management's Discussion and Analysis (Unaudited) ..... III-2</p> <p>Condensed Consolidated Statements of Net Position (Unaudited) ..... III-10</p> <p>Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Position (Unaudited) ..... III-10</p> <p>Condensed Consolidated Statements of Cash Flows (Unaudited) ..... III-11</p> <p>Condensed Consolidated Financial Information on Port Authority Facilities (Unaudited) ..... III-12</p> <p><b>Consolidated Financial Statements as of and for the Years Ended December 31, 2015 and December 31, 2014 and Related Schedules</b> ... III-13</p> <p>2015 Financial Statements Certification (pursuant to Port Authority By-Laws) ..... III-14</p> <p>Independent Auditors' Report ..... III-15</p>	<p>Management's Discussion and Analysis (Unaudited) ..... III-20</p> <p><b>Basic Financial Statements of The Port Authority of New York and New Jersey in Accordance with Accounting Principles Generally Accepted in the United States of America (GAAP)</b> ..... III-37</p> <p>Consolidated Statements of Net Position ..... III-37</p> <p>Consolidated Statements of Revenues, Expenses and Changes in Net Position ..... III-38</p> <p>Consolidated Statements of Cash Flows ..... III-39</p> <p><b>Notes to Consolidated Financial Statements</b> ..... III-41</p> <p>Note A — Nature of the Organization and Summary of Significant Accounting Policies ..... III-41</p> <p>Note B — Facilities, Net ..... III-48</p> <p>Note C — Cash and Investments ..... III-49</p> <p>Note D — Outstanding Obligations and Financing ..... III-52</p> <p>Note E — General and Consolidated Bond Reserve Funds (pursuant to Port Authority Bond Resolutions) ..... III-65</p> <p>Note F — Grants and Contributions in Aid of Construction ..... III-66</p> <p>Note G — Lease Commitments ..... III-67</p> <p>Note H — Regional Facilities and Programs ..... III-68</p> <p>Note I — Pension Plans ..... III-71</p> <p>Note J — Other Postemployment Employee Benefits (OPEB) ..... III-79</p> <p>Note K — Commitments and Certain Charges to Operations ..... III-83</p> <p>Note L — Information with Respect to the Redevelopment of the World Trade Center Site ..... III-85</p> <p>Note M — Risk Financing Activities ..... III-88</p> <p><b>Required Supplementary Information (Unaudited)</b> ..... III-92</p> <p>Schedules of Proportionate Share of Net Pension Liability and Employer Contributions New York State and Local Retirement System ..... III-92</p> <p>Schedule of Employee and Employer Contributions Federal Railroad Retirement Program ..... III-93</p> <p>Schedule of Changes to Total Pension Liability and Related Ratios PATH Exempt Employees Supplemental Pension Plan ..... III-94</p> <p>Schedule of Funding Progress Other Postemployment Benefits Plan ..... III-95</p> <p><b>Financial Schedules Pursuant to Port Authority Bond Resolutions</b> ..... III-96</p> <p>Schedule A — Revenues and Reserves ..... III-96</p> <p>Schedule B — Assets and Liabilities ..... III-97</p> <p>Schedule C — Analysis of Reserve Funds ..... III-98</p> <p><b>Statistical and Other Supplemental Information</b> ..... III-99</p> <p>Narrative ..... III-99</p> <p>Schedule D-1 — Selected Statistical Financial Trends Data (pursuant to GAAP) ..... III-100</p>
---	---

## APPENDIX C

---

Schedule D-2 — Selected Statistical Debt	
Capacity Data (pursuant to Port Authority	
Bond Resolutions) .....	III-101
Schedule D-3 — Selected Statistical Financial	
Data by Business Segment.....	III-102
Schedule E — Information on Port Authority	
Operations.....	III-103
Schedule F — Information on Capital	
Investment in Port Authority Facilities.....	III-104
Schedule G — Port Authority Facility Traffic	
(Unaudited).....	III-105
<b>IV. BONDS, NOTES AND OTHER</b>	
<b>OBLIGATIONS</b> .....	IV-1
<b>Consolidated Bonds</b> .....	IV-1
Establishment and Issuance.....	IV-1
Security .....	IV-1
Consolidated Bond Reserve Fund.....	IV-2
Amortization .....	IV-2
Modifications .....	IV-3
<b>General Reserve Fund</b> .....	IV-3
Statutory Authorization and Establishment.....	IV-3
Purposes for Which the Fund is Available.....	IV-4
Bonds Secured by Pledge of the General	
Reserve Fund .....	IV-4
Sources of Payments into the Fund.....	IV-5
Size of the Fund .....	IV-5
Anticipated Payments from the Fund.....	IV-5
<b>Rate Powers and Covenants</b> .....	IV-5
<b>Port Authority Equipment Notes</b> .....	IV-6
<b>Special Project Bonds</b> .....	IV-6
<b>Versatile Structure Obligations</b> .....	IV-7
<b>Commercial Paper Obligations</b> .....	IV-10
<b>Variable Rate Master Notes</b> .....	IV-10
<b>General and Refunding, Air Terminal and</b>	
<b>Marine Terminal Bonds</b> .....	IV-11
<b>Bank Loans</b> .....	IV-11
<b>Operating Equipment-Lease Financing</b>	
<b>Program</b> .....	IV-12
<b>New York State Commuter Railroad Car</b>	
<b>Program</b> .....	IV-12
<b>Resolution Establishing General Reserve</b>	
<b>Fund</b> .....	IV-13
<b>Consolidated Bond Resolution</b> .....	IV-15
<b>V. PERTINENT STATUTES AND GENERAL</b>	
<b>RESOLUTIONS</b> .....	V-1
<b>General</b> .....	V-1
<b>Statutes</b> .....	V-2
<b>Certain Other Relevant Federal Statutes</b> .....	V-6
<b>Resolutions</b> .....	V-7
<b>VI. SCHEDULES OF OUTSTANDING</b>	
<b>DEBT</b> .....	VI-1
<b>Consolidated Bonds (as of December 31, 2015)</b> ..	VI-1
<b>Principal Amounts of Certain Port Authority</b>	
<b>Obligations Outstanding (as of April 15,</b>	
<b>2016)</b> .....	VI-2

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

---

INTRODUCTION

---

**Description of the Port Authority**

*General*

The Port Authority is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created and existing by virtue of the Compact of April 30, 1921, made by and between the two States, and thereafter consented to by the Congress of the United States. In the Compact, the two States recited their confident belief that a better coordination of the terminal, transportation and other facilities of commerce in the Port of New York would result in great economies benefiting the nation as well as the States and that the future development of such facilities would require the cordial cooperation of the States in the encouragement of the investment of capital and in the formulation and execution of necessary plans. The two States also recited that such result could best be accomplished through the cooperation of the two States by and through a joint or common agency, and to that end, after pledging, each to the other, faithful cooperation in the future planning and development of the Port of New York, they created the Port of New York District (the “Port District”) and The Port of New York Authority, the name of which was changed, effective July 1, 1972, to “The Port Authority of New York and New Jersey.” The Compact has been amended and supplemented from time to time by legislation adopted by the two States.

*Facilities*

In general, the purpose of the States of New York and New Jersey in establishing the Port Authority was to provide transportation, terminal and other facilities of commerce within the Port District. For such purpose the States have from time to time authorized specific transportation and terminal facilities and facilities of commerce and economic development, and have given the Port Authority power to borrow money upon its bonds or other obligations, to establish charges for the use of such facilities and, in connection with specific facilities, to acquire real and personal property by condemnation or the exercise of the right of eminent domain or otherwise. The Port District comprises an area of about 1,500 square miles in both States, centering about New York Harbor. The Port District includes the Cities of New York and Yonkers in New York State, and the Cities of Newark, Jersey City, Bayonne, Hoboken and Elizabeth in the State of New Jersey, and over 200 other municipalities, including all or part of seventeen counties, in the two States.

The Port Authority’s facilities include two tunnels and four bridges between the States of New York and New Jersey, the Hudson Tubes facility (“PATH”), a bus terminal, the Trans-Hudson ferry service, five airports, the World Trade Center, the Newark Legal and Communications Center, six marine terminals, two waterfront development facilities, the Oak Point Rail Freight Link, four industrial development facilities, a resource recovery facility and certain regional development facilities. From time to time on the basis of determinations by the Port Authority that such property was no longer required for the purposes for which it was acquired, the Port Authority has sold certain real property constituting all or part of certain facilities. Descriptions of the Port Authority’s facilities appear at “*Description of the Port Authority and Its Facilities*,” pp. II-1 *et seq.* Information pertaining to capital investment in such facilities and significant capital projects, in each case as of December 31, 2015, appear at pp. II-52 — II-54. Facility activity for calendar year 2015 appears at p. II-55 and p. III-105.

*Finances*

The Port Authority raises the necessary funds for the improvement, construction or acquisition of its facilities primarily upon the basis of its own credit. The Port Authority has no power to levy taxes or assessments. Its bonds, notes and other obligations are not obligations of the two States or of either of them, and are not guaranteed by the States or by either of them.

The revenues of the Port Authority are derived principally from the tolls, fares, landing and dockage fees, rentals and other charges for the use of, and privileges at, certain of the Port Authority's facilities; other facilities operate at a deficit, do not generate surplus revenue or are non-revenue producing to the Port Authority. It is expected that increases from time to time will continue to be necessary in the Port Authority's tolls, fares, landing and dockage fees, rentals and other charges, or that either planned capital expenditures will be curtailed or reductions in services and associated expenditures will occur, or both, so that the costs of operations, including expenses incurred with respect to obligations issued in connection with the acquisition of certain equipment by the Port Authority, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments, will continue to be provided for in accordance with the requirements therefor and agreements with the holders of Port Authority obligations. (See "*Bonds, Notes and Other Obligations*," pp. IV-1 *et seq.*)

The costs of operations, including expenses incurred with respect to obligations issued in connection with the acquisition of certain equipment by the Port Authority, and debt service are expected to be derived from gross operating revenues and income on investments, and capital funds are expected to be provided primarily through the application, as appropriate, of the proceeds of issues of Port Authority obligations and from other moneys legally available for such purposes. In order to provide sufficient funds expeditiously and on a temporary basis for certain expenditures, the Port Authority's annual budget and business planning process provides for temporary applications of available moneys (other than proceeds of Port Authority obligations), subject to reimbursement through the issuance of Port Authority obligations to permit permanent application of such amounts for other authorized purposes.

From time to time, at the request of the Governors of the States of New York and New Jersey, the Port Authority participates in certain programs that are deemed essential to the continued economic viability of the States and the region. These programs, which are generally non-revenue producing to the Port Authority, are addressed by the Port Authority in its budget and business planning process in the context of the Port Authority's overall financial capacity. (See pp. II-44 — II-46.)

The purposes for which the Port Authority's various funds, including revenues, can be applied are set forth in various statutes and in the agreements with the holders of its obligations. In order to determine the moneys which are or will become available to meet the requirements of any of the Port Authority's obligations, it is necessary to examine the statutes and resolutions affecting the particular issue. (See "*Pertinent Statutes and General Resolutions*," pp. V-1 *et seq.* and "*Bonds, Notes and Other Obligations*," pp. IV-1 *et seq.*)

*Financial Statements*

The consolidated financial statements of the Port Authority as of and for the years ended December 31, 2015 and December 31, 2014, along with the notes, schedules and other supplementary information (including management's discussion and analysis of the Port Authority's financial performance and activity), and the independent auditors' report pertaining thereto, are set forth at "*Consolidated Financial Statements as of and for the Years Ended December 31, 2015 and December 31, 2014 and Related Schedules*," pp. III-13 *et seq.* The financial statements of the Port Authority are prepared in accordance with accounting principles generally accepted in the United States of America; Schedules A, B and C have been

## APPENDIX C

---

prepared on a comprehensive basis of accounting in accordance with the requirements of Port Authority bond resolutions, which differs in some respects from accounting principles generally accepted in the United States of America; and the supplemental information presented in Schedules D, E, F and G is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

On March 7, 2016, in connection with the release of the consolidated financial statements of the Port Authority for the years ended December 31, 2015 and December 31, 2014, the Executive Director, the Chief Financial Officer and the Comptroller certified that to the best of their knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the consolidated financial statements, was accurate in all material respects and was reported in a manner designed to present fairly the Port Authority's net position, changes in net position, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and, that on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

While the Port Authority's Consolidated Financial Statements as of and for the years ended December 31, 2015 and December 31, 2014 have been audited by a firm of independent auditors, which conducts such audits in accordance with auditing standards generally accepted in the United States of America, the accuracy of the data and the completeness and fairness of the information presented in the financial statements are the responsibility of management of the Port Authority.

The Audit Committee of the Board of Commissioners of the Port Authority (see p. III-41) meets on a regular basis with the independent auditors, the law firm retained to address certain Audit Committee matters and management of the Port Authority, in connection with its oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing, and financial reporting processes.

Unaudited condensed consolidated financial statements for the Port Authority for the three-month period ended March 31, 2016 have been prepared by the Port Authority, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with accounting principles generally accepted in the United States of America, and appear at pages III-1 — III-12. Such unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the accompanying notes and schedules of the Port Authority for the year ended December 31, 2015, set forth at "*Consolidated Financial Statements of the Port Authority as of and for the Years Ended December 31, 2015 and December 31, 2014 and Related Schedules*," pp. III-13 *et seq.* The results of operations for the three-month period ended March 31, 2016 set forth in such unaudited condensed consolidated financial statements are not necessarily indicative of the results of operations for the annual period ending December 31, 2016.

### *Annual Budget*

The Port Authority's annual budget provides an outline of estimated expenditures for the year. Approval of the budget by the Board of Commissioners of the Port Authority, based upon financial projections developed as part of the Port Authority's planning process, does not in itself authorize any specific expenditures, which are authorized from time to time by, or are contemplated by other actions of, the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations. Consistent

with the foregoing, the development of specific Port Authority capital projects is undertaken after appropriate required authorizations and certifications by the Board of Commissioners of the Port Authority. (See “*Certification in Connection with Additional Facilities*,” p. II-47; “*Inapplicability of Statutory Covenant Against Dilution of Pledged Revenues and Reserves by Additional Passenger Railroad Deficits*,” pp. II-47 — II-48; and “*Certain Additional Projects Under Study*,” p. II-47.)

On December 10, 2015, the Board of Commissioners of the Port Authority approved a 2016 annual budget (the “2016 Budget”) of \$7.9 billion. The 2016 Budget includes \$3 billion in operating expenses and \$3.5 billion in capital investment, with the remaining amount of \$1.4 billion covering debt service, deferred and other expenses. The operating expenses budget, which increased by 2.8 percent from the 2015 budget, includes expenses to safely and securely operate and maintain assets, meet regulatory compliance requirements, support training and succession planning and includes incremental expenses associated with phasing-in the final operating components of the World Trade Center. Before consideration of the incremental World Trade Center costs, the proposed budget represents an increase in expenses of 2.4 percent. Among the new and continued initiatives funded by the 2016 operating budget are programs to secure agency facilities and improve the Port Authority Bus Terminal’s Quality of Commute, aviation strategic vision studies and a port commerce master plan. The 2016 Budget also includes two police training classes for a total of 250 recruits in 2016 in order to address staff turnover, retirements and new workload.

The \$3.5 billion 2016 capital budget provides funds to maintain critical transportation facilities at the region’s airports, seaports, tunnels, bridges, terminals and PATH system, as well as the continued redevelopment of the World Trade Center site. Major investments include the upgrade and modernization of airports, tunnels, bridges and terminals, including: the redevelopment of LaGuardia Airport’s Terminal B; continued planning and design of a replacement of Newark Liberty International Airport’s Terminal A; major runway improvements and rehabilitation at John F. Kennedy International Airport; the Goethals and Bayonne Bridge projects; access improvements to the Lincoln Tunnel; rehabilitation of the George Washington Bridge; and continued improvements in the Port Authority Bus Terminal as well as planning for its long-term replacement. Funds also are included for redevelopment of Greenville Yard to support a new ship-to-rail facility. Improvements to PATH include implementation of positive train control safety measures, modernization of the Harrison Station and completion of the World Trade Center PATH Station and the transportation hub.

#### *2014-2023 Capital Plan*

On February 19, 2014, the Board of Commissioners adopted a ten-year, 2014-2023 capital plan (the “2014-2023 Capital Plan”). The 2014-2023 Capital Plan, which totals \$27.6 billion and includes a planned spending program of \$15.8 billion in the first five years, has been developed using a comprehensive planning process and risk-based prioritization that considered asset condition, operational and revenue impact, threat assessment, customer service, regional benefit, and regulatory or statutory requirements. Performance progress and revisions to reflect changes in programs, policies and projects and the environment in which the Port Authority operates will be reviewed regularly with the Committee on Capital Planning, Execution and Asset Management, and as revised, the 2014-2023 Capital Plan will be reviewed annually with the Board of Commissioners of the Port Authority. The 2014-2023 Capital Plan supports completion of the redevelopment of the World Trade Center site; projects related to permanent repairs and certain mitigation and resiliency measures resulting from Superstorm Sandy, and projects to harden and strengthen facility infrastructure to protect against future storms; initiatives to enhance security with state-of-the-art equipment; major upgrades and modernization of Port Authority tunnels, bridges and terminals, including raising the deck of the Bayonne Bridge, replacing the Goethals Bridge, effectuating access improvements to the Lincoln Tunnel, and rehabilitating and improving the George Washington Bridge; modernization of the region’s airports, including development of new terminals at LaGuardia Airport and Newark Liberty International Airport, implementing airfield and infrastructure improvements at John F.



Kennedy International Airport, and improvements to Stewart International Airport's runways and terminals; redevelopment of critical port facilities, including the construction of new berths, wharves, terminals, roadways, and intermodal rail facilities, as well as performing dredging work to accommodate larger vessels; continuing to improve the PATH rail system, to expand capacity and improve service, modernize and upgrade stations, and extend rail service to Newark Liberty International Airport; and ongoing state-of-good-repair investments to maintain all Port Authority assets in good operating condition.

The Port Authority is in the process of developing a new ten-year capital plan for the period from 2017-2026 to address the progress of the 2014-2023 Capital Plan, new developments as to changes in asset condition, risk, law or security and the availability of funding, with the expectation that the Board of Commissioners will adopt a 2017-2026 capital plan in the third quarter of 2016 following a public input process.

#### *Annual Operating Results*

The Port Authority's operating results for the year ended December 31, 2015, compared to the Port Authority's operating results for the year ended December 31, 2014, are set forth at "*2015 Operating Results*," p. II-7. The Port Authority's budget for calendar year 2016, consistent with the budget presentation, compared to the Port Authority's actual expenditures for the year ended December 31, 2015 with respect to certain categories of expenditures set forth in the Port Authority's budget for calendar year 2016, are set forth at "*2016 Annual Budget Compared to 2015 Actual Expenditures*," pp. II-7 — II-8.

#### *Hudson River Rail Tunnel*

On September 15, 2015, the Governors of the States of New York and New Jersey sent a letter to the President of the United States describing the critical need for a new Hudson River rail tunnel to replace the existing rail tunnel and to accommodate population growth and continued economic expansion in the region. The letter advised that "[a]s the Governors of New York and New Jersey, we are both committed to funding our fair share of the cost and, at our direction, the jointly operated Port Authority of New York and New Jersey is ready and willing to help. Our states are committed to doing our part and to contributing funding, personnel and resources" and indicated that the total project cost is approximately \$20 billion. Furthermore, the letter indicated that "[i]f the federal government will provide grants to pay for half of the cost of the project, the Port Authority, New York and New Jersey will take responsibility for developing a funding plan for the other half" (the "Local Share"), "[c]onvening all relevant agencies, and utilizing the proposed federal low-interest loan, local funding sources, and other funding strategies necessary to complement the federal grant commitment."

On November 12, 2015, the Governors of the States of New York and New Jersey and Senators Schumer and Booker announced that they had reached an agreement on funding commitments secured from the U.S. Department of Transportation ("USDOT") and Amtrak to cover no less than 50% of the project costs using grants and other federal funding and on a governance structure for a new trans-Hudson River tunnel, the Gateway Tunnel Project. The announcement also indicated that as part of the agreement the Governors would immediately direct The Port Authority of New York and New Jersey in consultation with its federal partners, Amtrak and the USDOT, to establish a development corporation to oversee the construction and execution of the Gateway Tunnel Project and whose board would be comprised of representatives of the two states, New York and New Jersey, through their Port Authority designees, and the federal government, represented by USDOT and Amtrak.

On December 10, 2015, the Board of Commissioners of the Port Authority authorized the Executive Director, after consultation with USDOT and Amtrak, to report to the Board as soon as possible additional steps, including any further study necessary to establish a development corporation, or similar entity, to

## APPENDIX C

---

oversee construction and execution of the project, cooperate with Amtrak and USDOT on a financing plan including utilization of low interest loans under federal programs, and to facilitate the expedition of environmental and other necessary approvals. On March 24, 2016, the Board of Commissioners authorized the Executive Director to enter into a Memorandum of Understanding with USDOT, Amtrak and New Jersey Transit Corporation to set forth a framework for the parties' activities, prior to the commencement of operations under a development corporation, to advance the first phase of the Gateway Program – whose elements include the Gateway Tunnel Project, the construction of concrete casing on the West side of Manhattan leading to New York Pennsylvania Station to preserve the tunnel right-of-way and the replacement of the Sawtooth and Portal Bridges in New Jersey. The Board of Commissioners also authorized the Executive Director to enter into an agreement with Amtrak to reimburse Amtrak up to \$35 million of preliminary engineering and planning costs incurred by Amtrak for design, development and construction of the Gateway Tunnel Project to advance environmental review and permitting for that project, as an element of the Gateway Program. The development of such information will assist the Port Authority to understand and evaluate the scope and elements of the Gateway Tunnel Project as part of the Gateway Program. The development of a funding plan for the Local Share is underway, with no determination at this time as to the financial responsibilities among the relevant parties and no determination as to the timing and amounts related to the utilization of the proposed federal low-interest loan, local funding sources, and other funding strategies.

Port Authority participation in the Gateway Program is subject to approval by the Board of Commissioners of the Port Authority, consistent with statutory, contractual and other commitments of the Port Authority, including agreements between the Port Authority and the holders of its obligations (see “*Certification in Connection with Additional Facilities*,” p. II-47).

### *Certain Subpoenas and Other Matters*

The Port Authority has received and is responding, or has responded, to several grand jury subpoenas for the production of records from the United States Attorney's Office for the District of New Jersey (“USAO DNJ Subpoenas”) and the District Attorney of the County of New York (“DANY Subpoenas”).

The USAO DNJ Subpoenas pertain to various matters, including George Washington Bridge access lane issues from September 9, 2013 through September 13, 2013; a North-End redevelopment project in Hoboken, NJ; the procurement processes for the Goethals Bridge replacement project and the Bayonne Bridge replacement of the main span roadway and approach structures; the Port Authority Board of Commissioners' conflict of interest and recusal policies and certain disclosures made by the former Chairman of the Board of Commissioners with respect to conflicts of interest and recusals; Port Authority traffic studies with respect to certain bridge and tunnel facilities, a concept study for the George Washington Bridge upper level toll plaza, and certain records pertaining to vehicles and radio equipment provided by the Port Authority to the Borough of Fort Lee and to specific former Port Authority officials; any nonstop or direct flights to/from Newark Liberty International Airport (Newark Airport), and from/to Columbia Metropolitan Airport, located in West Columbia, South Carolina, by United Airlines (and related entities), communications with certain United Airlines executives and/or lobbyists, and any travel by the former Chairman of the Board of Commissioners, or any members of his family or party on United Airlines (and related entities); any consideration, plan, or proposal by United Airlines (and related entities) to construct and operate any wide-body aircraft maintenance hangar or any hangar at Newark Airport, or to United Airlines' lease of land to construct and operate such hangars; Port Authority traffic studies with respect to the Center Avenue and Lemoine Avenue Bridges located in the Borough of Fort Lee, N.J., records with respect to certain plans of, and meetings and contacts with, the Mayor of Jersey City, and E-ZPass® information for several separately identified individuals; certain records provided under the Board information process from July 2011 through March 2012; certain records from August 1, 2011 through December 31, 2011, pertaining to calendars and telephone records for several separately identified

## APPENDIX C

---

individuals, including the former Chairman of the Board of Commissioners; and records relating to the October, November, and December 2011 meetings of the Board of Commissioners. The Port Authority has also received a letter from the USAO DNJ requesting preservation of all records concerning the redevelopment of Terminals A and C at Newark Airport, United Airlines' lease of Terminal C at Newark Airport, the proposed PATH extension to Newark Airport and any flights to/from Atlantic City International Airport by United Airlines (and related entities).

The DANY Subpoenas pertain to various matters, including resolutions adopted by the Board of Commissioners of the Port Authority and related matters with respect to specific Port Authority projects at its bridge and tunnel facilities, PATH, the World Trade Center and the Atlantic City International Airport; certain activities with respect to leases and related litigation between the Port Authority and a former tenant at the Brooklyn-Port Authority Marine Terminal; the Access to the Region's Core project and the Route 1&9 Pulaski Skyway, Route 7 Hackensack River (WittPenn) Bridge, and Route 1&9T (New Road) projects; the procurement process for the award of the lease for the One World Trade Center observation deck; e-mails between certain Port Authority staff and others from March 2014 through July 2014; and Union City, N.J. roadway projects from January 1, 2010.

The Port Authority has also received a letter from the staff of the United States Securities and Exchange Commission stating that it is conducting a formal investigation into the matter identified as the "Port Authority of New York and New Jersey Bond Offerings," together with a records subpoena pertaining to various matters, including the Route 1&9 Pulaski Skyway, Route 139 (Hoboken and Conrail Viaducts), Route 7 Hackensack River (WittPenn) Bridge, and Route 1&9T (New Road) projects, the termination of the Access to the Region's Core project, authorized uses of Port Authority funds, and property acquisitions at the former Military Ocean Terminal at Bayonne, and is responding to such subpoena. Discussions have been initiated between the Port Authority and the staff of the SEC regarding a potential resolution of the investigation.

Additionally, the Port Authority has also received and responded to records subpoenas from the New Jersey Legislative Select Committee on Investigation, pertaining to various matters, including George Washington Bridge access lane issues from September 9, 2013 through September 13, 2013, the Port Authority's 2011 bridges and tunnels tolls increase, the Access to the Region's Core project and certain referrals of candidates for Port Authority employment.

Various Port Authority-related individuals have also received subpoenas with respect to the production of records or testimony or other requests to participate in these matters from such entities.

Further, in response to requests from the New Jersey State Ethics Commission, the Port Authority has also provided the New Jersey State Ethics Commission with various governance and other materials, including the Port Authority Board of Commissioners' conflict of interest and recusal policies, resolutions adopted by the Board of Commissioners of the Port Authority pertaining to specific projects, including a Lincoln Tunnel park and ride lot, a North-End redevelopment project in Hoboken, NJ, the Atlantic City International Airport, the PATH Harrison Station, certain construction activities at the World Trade Center site, the Goethals Bridge replacement project and the Bayonne Bridge replacement of the main span roadway and approach structures and certain records pertaining to the former Chairman of the Board of Commissioners.

### Investment Policies of the Port Authority

The investment policies of the Port Authority are established in conformity with the agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners of the Port Authority or its Committee on Finance. (See “*Consolidated Financial Statements as of and for the Years Ended December 31, 2015 and December 31, 2014 and Related Schedules*,” pp. III-43, III-50 — III-51 and III-65 — III-66.)

#### Insurance

The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities and those under construction to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering deductibles, retentions, and exceptions or exclusions of portions of facilities and the scope of insurable hazards. A portion of the insurance under the programs described below is provided by the Port Authority’s captive insurer, the Port Authority Insurance Captive Entity, LLC (“PAICE”) (see “*Port Authority Insurance Captive Entity, LLC*,” p. I-9).

##### *Property Damage and Loss of Revenue Insurance Program*

The property damage and loss of revenue insurance program on Port Authority facilities (which was renewed effective June 1, 2015 and expires on June 1, 2016\*) applies to all Port Authority facilities, excluding the World Trade Center (except for the area of the PATH station inside the fare zone), with program limits of \$1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards. Property damage and loss of revenue insurance on the operating portions of the World Trade Center\*\* and related infrastructure is provided in a separate program (which was renewed March 31, 2016 and expires on June 1, 2017) with program limits of up to \$500 million per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards covering all Port Authority assets at the site and excess limits of \$2 billion on One World Trade Center and \$1.5 billion on the World Trade Center Hub, Vehicular Security Center and other assets. The Port Authority also purchased terrorism insurance with respect to its facilities, excluding the World Trade Center, with limits of \$1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions and exclusions for certain hazards; and for the operating portions of the World Trade Center, with limits of \$5 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and exclusions for certain hazards. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2015 (“TRIPRA”)\*\* and commercial reinsurance.

##### *Public Liability Insurance Programs*

The public liability insurance program for Port Authority aviation facilities (which was renewed effective October 27, 2015 and expires October 27, 2016) applies to such facilities with program limits of \$1.25 billion per occurrence and in the aggregate, subject to certain deductibles and retentions, and insurance for aviation war risk, which includes terrorism, and which has no deductible.

---

\* The Port Authority is presently in discussion with various insurance carriers with respect to the extension of the Port Authority’s property insurance programs.

\*\* The Port Authority’s insurance programs do not provide coverage for World Trade Center Towers 2, 3, 4 (except for the Port Authority’s Tower 4 leased space), Tower 5, the World Trade Center Memorial/Museum and the net leased retail components (except for certain retail infrastructure) of the World Trade Center site. Coverage for these assets is the responsibility of the net lessees.

\*\*\* See footnote (\*) on p. I-9.

## APPENDIX C

---

The public liability insurance program for “non-aviation” facilities (which was renewed effective October 27, 2015 and expires October 27, 2016) applies to such facilities, including components of the World Trade Center\* upon completion of construction and transfer to operations, with program limits of \$1.0 billion per occurrence and in the aggregate, subject to certain deductibles and retentions. Terrorism insurance with respect thereto totals \$300 million, which is insured through PAICE and reinsured through TRIPRA\* and commercial reinsurance.

### *Construction Insurance Programs*

The Port Authority’s World Trade Center Owner Controlled Insurance Program applies to such facility with program limits for builders’ risk of \$1 billion per occurrence, subject to certain deductibles, retentions, and sub-limits of certain hazards, annual aggregate limits, which is reinsured through TRIPRA\*, and commercial reinsurance and construction liability coverage which applies to the portions of the World Trade Center under construction with program limits of \$150 million per occurrence.

The Port Authority maintains an ongoing wrap-up contractors’ insurance program for all other Port Authority facilities under construction with program limits for builders’ risk of \$50 million per occurrence, subject to certain deductibles, retentions, and sub-limits on certain hazards, construction general liability insurance with program limits of \$50 million per occurrence, and statutory workers’ compensation coverage, which do not have a deductible. PAICE provides portions of the construction general liability and statutory workers’ compensation insurance. The Port Authority also maintains builders’ risk and terrorism coverage, with respect to the Bayonne Bridge Navigational Clearance Program, each with a program limit of \$743 million per occurrence and comprehensive general liability insurance with program limits of \$50 million per occurrence and in the aggregate in excess of the \$50 million coverage described above.

### *Port Authority Insurance Captive Entity, LLC*

On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the “Port Authority Insurance Captive Entity, LLC,” for insuring certain risk exposures of the Port Authority. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business in connection with workers compensation, general liability, builders’ risk, property and terrorism insurance coverages for the Port Authority. With the passage of TRIPRA\*, PAICE assumed coverage for acts of terrorism under the Port Authority’s public liability, builders’ risk, and property damage and loss of revenue insurance programs. PAICE also insures certain components of the Port Authority’s workers’ compensation and wrap-up contractors’ insurance programs. Certain elements of PAICE’s insurance portfolio are reinsured by TRIPRA\* and commercial insurers.

## **Claims and Certain Litigation Against the Port Authority**

In 1951, the States of New York and New Jersey adopted legislation consenting to a waiver of certain of the Port Authority’s immunities from suit and from liability, subject to, among other requirements in specific cases, the filing of a valid and timely notice of claim in an action for money damages and

---

\*Under TRIPRA, the federal government reinsures 85% of certified terrorism losses in 2015 (and decreases its reinsurance incrementally by 1% per year for the next five years), subject to aggregate industry insured losses of at least \$100 million in 2015 (which increases incrementally by \$20 million per year for the next five years) and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of \$100 billion. For calendar year 2016, no federal payments would be made under this program until the aggregate industry insured losses from acts of terrorism exceed \$120 million. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 140% of the amount of federal payments for insured losses during that calendar year.

## APPENDIX C

---

commencement of suit in all actions within one year from the date the cause of action accrues. It is presently expected that tort claims presently in litigation against the Port Authority for damages will not result in recoveries against the Port Authority in excess of the amount of applicable public liability insurance. Additionally, it is presently expected that certain other litigated matters which have not been finally concluded, but in which there have been no proceedings for at least ten years, will not result in any significant recoveries against the Port Authority.

### **Certain Information Pertaining to this Appendix C and the Port Authority**

The information and expressions of opinion in this Appendix C are subject to change without notice after May 5, 2016, and future use of this Appendix C shall not otherwise create any implication that there has been no change in the matters referred to in this Appendix C since May 5, 2016.

So far as any statements are made involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Unless otherwise indicated, so far as information given relates to past earnings or expenditures of the Port Authority, the figures have been taken from the books of the Port Authority. So far as estimates of future revenues or expenditures of the Port Authority are given, they merely constitute estimates which may or may not be actually realized; so far as statements are made regarding other estimates or future construction, development, plans or other matters, they merely constitute statements or expectations which may or may not be actually fulfilled.

For a complete and detailed understanding of the respective rights of the Port Authority and the holders of its outstanding obligations, reference must be made to the State and Federal legislation relating to the Port Authority and the various resolutions adopted by the Port Authority. Such statutes and resolutions should be studied in connection with this Appendix C and for the purpose of gaining a complete and detailed understanding of the rights of holders of outstanding Port Authority obligations. All references to resolutions, agreements, documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the resolutions, agreements, documents and other materials referenced, which may be examined on reasonable prior notes at the office of the Secretary of the Port Authority during regular business hours.

DESCRIPTION OF THE PORT AUTHORITY AND ITS FACILITIES

Management

*Board of Commissioners*

The Port Authority consists of twelve Commissioners, six from each State, appointed by the respective Governor thereof with the advice and consent of the respective State Senate. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners; the actions the Commissioners take at Port Authority meetings are subject to gubernatorial review for a period of ten days (Saturdays, Sundays and public holidays excepted) and may be vetoed by the Governor of their respective State during such period. Actions relating to industrial development projects or facilities are required to be delivered to the leaders of the legislatures of the two States ten calendar days prior to being submitted to the Governors for review. The Governors' veto has been exercised from time to time.

The Commissioners serve without remuneration for six-year overlapping terms. A Commissioner whose term expires continues to serve until reappointment or the appointment and qualification of a successor. Incumbent officers continue to serve upon re-election at the Port Authority's annual meeting or until successors are elected. The Commissioners are engaged in business, professional, governmental or civic activities apart from their offices as Commissioners. In some cases these involve business, professional, governmental, civic or administrative connections or relations with persons, firms, corporations, public agencies, commissions or civic bodies which may do business with the Port Authority, are actual or potential users of Port Authority facilities or review or study the activities of the Port Authority and its facilities. The Commissioners have from time to time expressed, in reaffirmation of the Port Authority's policy and tradition of excellence in public service, their continued commitment to the highest ethical principles of conduct and their intention to conform to the conflicts of interest laws which were applicable to unsalaried public officers of their respective States. On February 19, 2009, the Board of Commissioners of the Port Authority, on recommendation of its Governance and Ethics Committee, as provided for in the Port Authority's By-Laws, adopted a Code of Ethics incorporating applicable requirements of law (which are substantially similar in the States of New York and New Jersey with respect to unsalaried public officers) to govern the conduct of the Port Authority Commissioners, including provision of financial and other disclosure to General Counsel of the Port Authority.

The present Commissioners, their principal activities and the expiration of the current terms to which they have been appointed are as follows:

NEW YORK

- SCOTT H. RECHLER, *Vice Chairman*—July 1, 2018  
Chief Executive Officer and Chairman—RXR Realty LLC
- STEVEN M. COHEN—JULY 1, 2021  
Executive Vice President, Chief Administrative Officer &  
General Counsel—MacAndrews & Forbes Incorporated
- MICHAEL D. FASCITELLI—JULY 1, 2016  
Founder—MDF Capital
- HAMILTON E. JAMES—July 1, 2020  
President—Blackstone
- KENNETH LIPPER—July 1, 2017  
Chairman—Lipper & Co. LLC
- JEFFREY H. LYNFORD—July 1, 2019  
President and CEO—Educational Housing Services, Inc.

NEW JERSEY

- JOHN J. DEGNAN, *Chairman*—July 1, 2019
- RICHARD H. BAGGER—July 1, 2018  
Executive Vice President, Corporate Affairs and Market  
Access—Celgene Corporation
- GEORGE R. LAUFENBERG—July 1, 2016  
Funds Director—Northeast Carpenters Funds
- RAYMOND M. POCINO—July 1, 2015  
Vice President/Eastern Regional Manager-Laborers  
International Union of North America
- WILLIAM "PAT" SCHUBER—July 1, 2017  
Professor—Fairleigh Dickinson University
- DAVID S. STEINER—July 1, 2014  
Chairman—Steiner Equities Group, LLC

## APPENDIX C

---

### *Staff*

In carrying out its program, the Port Authority functions as a public corporation combining sound business and governmental principles and practices. A career staff is headed by an Executive Director who is responsible to the Board of Commissioners. Performance of the Port Authority's managers is measured by the degree to which they have achieved results.

Patrick J. Foye is Executive Director; Honorable Richard J. Holwell is General Counsel; Karen E. Eastman is Secretary; Elizabeth M. McCarthy is Chief Financial Officer; Daniel G. McCarron is Comptroller; Cheryl Yetka is Treasurer; George Anderson is Director of World Trade Center Security; Thomas Belfiore is Chief Security Officer; Thomas Bosco is Director of Aviation; Molly Campbell is Director of Port Commerce; Janet Cox is Director of Management and Budget; Stephanie Dawson is Acting Chief Operating Officer; Michael B. DeGidio is Director of Security Operations and Programs; Jose B. Febrillet is Director of the Project Management Office; Michael A. Fedorko is Director of Public Safety and Superintendent of Police; Cedrick Fulton is Director of Tunnels, Bridges and Terminals; Robert Galvin is Chief Technology Officer; Lash Green is Director of the Office of Business Diversity and Civil Rights; Mary Lee Hannell is Chief of Human Capital; Andrew Levine is Director of Audit; Andrew Lynn is Director of Planning and Regional Development; Michael Marino is Director of Rail Transit; Michael G. Massiah is Chief of Capital Planning, Execution and Asset Management; Hugh McCann is Director of World Trade Center Operations; Gerard McCarty is Director of the Office of Emergency Management; Michael Nestor is Inspector General; Steven Pasichow is Director of the Office of Investigations; Steven P. Plate is Chief of Major Capital Projects; Alan Reiss is Director of World Trade Center Construction; James Starace is Chief Engineer; Virginia Trubek is Director of Operations Services; Lillian Valenti is Chief Procurement and Contracting Officer; and Christine Weydig is Director of the Office of Environmental and Energy Programs.

Except as set forth below, all of the aforesaid Port Authority staff have been employed continuously by the Port Authority for more than five years, in many cases holding positions of increasing responsibility.

Patrick J. Foye commenced service as Executive Director on November 7, 2011. Mr. Foye also served as a board member of the Metropolitan Transportation Authority from May 2010 to February 2012. Prior to joining the Port Authority, Mr. Foye served as Deputy Secretary for Economic Development for Governor Andrew M. Cuomo from February 2011 to November 2011, managing initiatives for economic recovery, investment and job creation, and overseeing the Empire State Development Corporation. Prior thereto he was Deputy County Executive for Nassau County Executive Edward Mangano from March 2010 to February 2011, having previously served as the downstate chief of the Empire State Development Corporation from January 2007 to April 2008, as well as the Vice Chair of the Long Island Power Authority for several years ending in December 2006. Mr. Foye was President and CEO of the United Way of Long Island from February 2004 to December 2006, and was a mergers and acquisitions partner at Skadden Arps for 10 years and managing partner of the firm's Brussels, Budapest and Moscow offices. From 1998 to 2004, he was Executive Vice President of AIMCO, a real estate investment trust and a component of the S&P 500.

Prior to assuming positions with the Port Authority: Mr. Anderson, who became the Director of World Trade Center Security in October 2015, was most recently Vice President of Operations-Manhattan for AlliedBarton Security, and prior thereto was an Assistant Chief in the New York City Police Department, where he had a 30-year career; Mr. Belfiore, who became the Chief Security Officer in January 2015, was most recently the First Deputy Chief Security Officer of the Port Authority from December 2012 to January 2015, prior thereto was the Chief Security Officer of the Related Companies from 2010 to 2012, and has over 27 years of law enforcement experience including positions as the Commissioner of Public Safety and Sheriff for Westchester County and Deputy Chief at the New York City Police Department; Ms. Campbell, who became Director of Port Commerce in July 2015, was most recently Director of



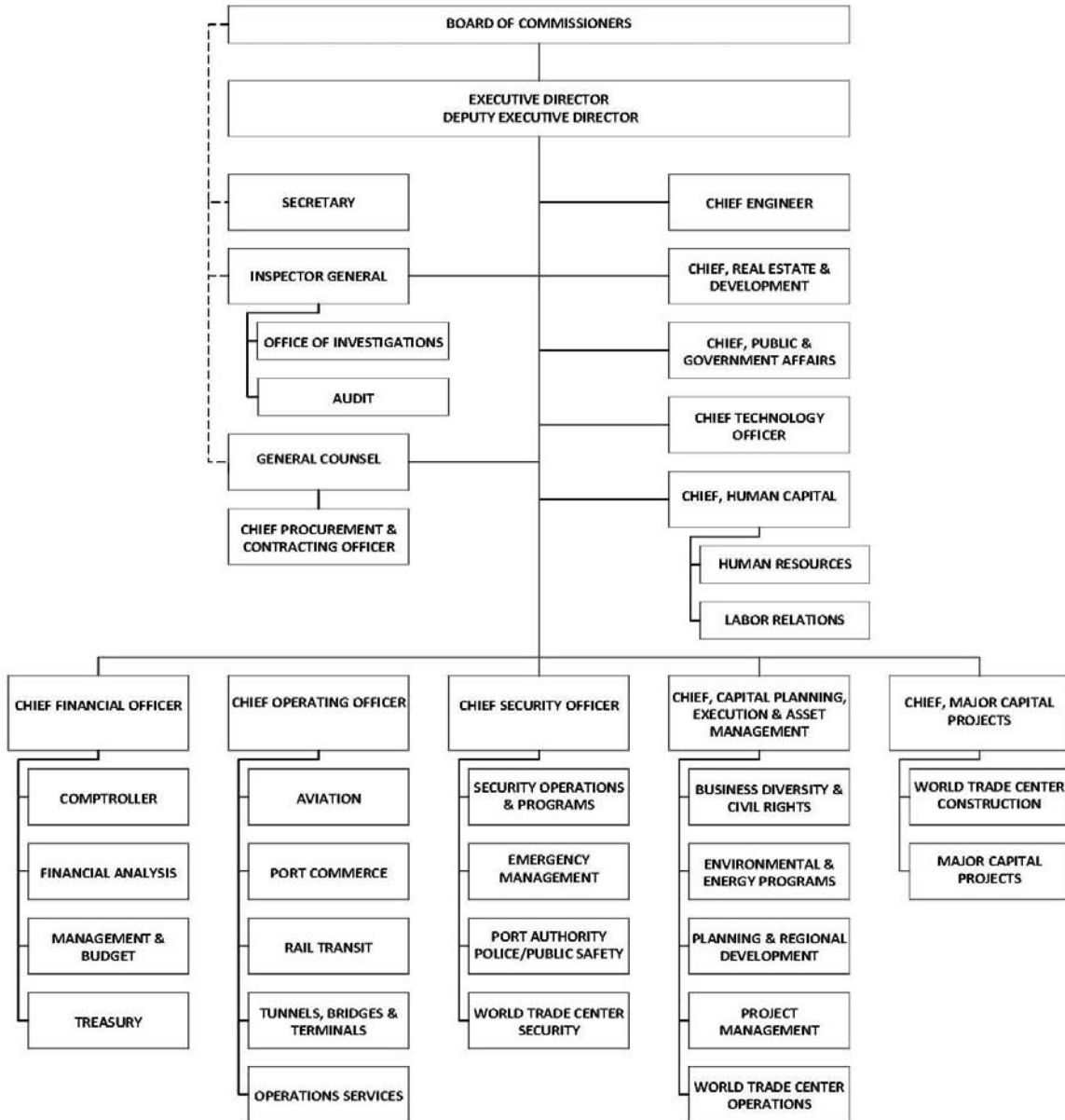
## APPENDIX C

---

Financial Management Systems at Los Angeles World Airports for the City of Los Angeles, and prior thereto served at the Port of Los Angeles, where she joined as Chief Financial Officer in 2000 and was appointed Deputy Executive Director in 2007; Mr. Galvin, who became Chief Technology Officer in December 2013, was most recently the Chief Technology Officer at the New York City School Construction Authority from July 2007 to December 2013, prior thereto was a technology executive at Penta Technologies from November 2005 to July 2007 and was the Director of Information Technology at Enclos Corporation from September 1996 to October 2005, and has over 25 years of information technology experience in both the public and private sectors; Judge Holwell, who was appointed General Counsel in November 2015, is also a partner at the law firm of Holwell Shuster & Goldberg, LLP, where he continues to work, prior thereto was a federal judge for the Southern District of New York from 2003 to 2012, and previously was a partner at White & Case LLP, with 45 years of legal experience; Mr. Marino, who became Director of Rail Transit in July 2015, was most recently Deputy Director of PATH and before that Assistant Director/General Superintendent, having joined the agency in 2011 as the Superintendent in PATH's Way & Structures Division, and prior thereto gained more than 30 years of transportation experience in positions including Director of Force Account Construction at the Metropolitan Transportation Authority, Superintendent of Terminal Service at Amtrak and Vice President of Rail Transit, Northeast Region at AECOM; and Ms. McCarthy, who became Chief Financial Officer in January 2013, was most recently Treasurer of Kuokoa Inc., prior thereto she was Executive Vice President and Chief Financial Officer of the New York Power Authority from January 2010 through September 2011, Senior Vice President and Chief Financial Officer of the Long Island Power Authority from July 2003 through June 2009, Group Vice President and Chief Financial Officer of DPL, Inc. from April 2000 to April 2003, and prior thereto a Partner at PricewaterhouseCoopers LLP, after holding various other positions at such firm, which she joined in 1981.

APPENDIX C

Organization Chart



## APPENDIX C

---

### *Certain Ongoing Port Authority Governance Initiatives*

By letter dated May 6, 2014, the Governors of the States of New York and New Jersey advised the Board of Commissioners of the Port Authority that they were forming a bi-State Special Panel on the Future of the Port Authority, to review and evaluate reforms of the Port Authority's mission, structure, management, operations and overall governance for the betterment of the region. The Special Panel included John J. Degnan, Chairman of the Port Authority, Scott H. Rechler, Vice Chairman of the Port Authority, Richard H. Bagger, a Commissioner of the Port Authority, Mylan L. Denerstein, Counsel to the Governor of New York (who served from May 2014 to September 2014), Christopher S. Porrino, Chief Counsel to the Governor of New Jersey, and Seth H. Agata, Acting Counsel to the Governor of New York. The Special Panel released a report on December 26, 2014, which was endorsed by the Governors of the States of New York and New Jersey on December 27, 2014, recommending both a comprehensive overhaul of the governance of the Port Authority, with a single Chief Executive Officer selected by and accountable to the Board of Commissioners of the Port Authority replacing the current positions of Executive Director and Deputy Executive Director and a reorganization of the leadership of the Board of Commissioners, and a recommitment to the Port Authority's core transportation mission. On February 19, 2015, the Board of Commissioners of the Port Authority endorsed, in concept, the six core structural and strategic recommendations of the Special Panel, organized in two categories: "Governance and Accountability" and "Mission and Stewardship of Assets"; and established a Special Panel Implementation Office to coordinate the implementation of these recommendations. The "Governance and Accountability" recommendations include (i) reorganizing the leadership of the Board of Commissioners and the executive management of the Port Authority to increase accountability and foster regional focus in its day-to-day operations; and (ii) continuing reforms to promote a culture of transparency and ethical conduct at the Port Authority. The "Mission and Stewardship of Assets" recommendations include (iii) refocusing the Port Authority's mission statement, strategic vision and capital plan to return the Port Authority to its core mission of facilitating the efficient movement of people and goods through the region; (iv) revitalizing the Port Authority's core transportation assets, including LaGuardia Airport, John F. Kennedy International Airport, and Newark International Airport, the Port Authority Bus Terminal, Port Commerce and PATH; (v) phasing out real estate ownership and development as an element of the Port Authority's mission; and (vi) employing innovative and flexible financing techniques to increase operational flexibility and financing capacity while maintaining the Port Authority's high standing in the credit markets. The Board of Commissioners also authorized the Chairman and Vice Chairman of the Board of Commissioners to engage an executive search firm to assist the Port Authority in identifying candidates for the position of Chief Executive Officer of the Port Authority in furtherance of the implementation of the "Governance and Accountability" reorganization recommendation. The candidate search is ongoing. Additionally, in connection with the implementation of such recommendation, the Chairmanship of the Port Authority will rotate on a two-year basis once the Chief Executive Officer is in place, with the first such designation presently expected to be made by the Governor of New York. At its March 19, 2015 meeting, the Board of Commissioners of the Port Authority adopted a plan and schedule submitted by the Special Panel Implementation Office for the implementation of the Special Panel's recommendations, and directed the Chairman and Vice Chairman of the Board of Commissioners to arrange for the implementation of such core recommendations, consistent with such approved plan and schedule. The Board of Commissioners will continue to receive monthly and quarterly progress reports through April 30, 2016, with specific actions to be undertaken in furtherance of the implementation of such recommendations to be the subject of further approval by the Board of Commissioners of the Port Authority.

On September 24, 2015, the Board of Commissioners of the Port Authority took certain actions to adopt a Port Authority Recusal Policy to serve as guidelines for the members of the Board of Commissioners of the Port Authority for the avoidance of conflicts of interest between their private interests and those of the public, as well as the appearance of a conflict.

*Code of Ethics and Financial Disclosure*

The Port Authority's Code of Ethics and Financial Disclosure (the "Ethics Code"), initially adopted in 1980, presently sets forth Port Authority policy with respect to the ethical standards governing the conduct of current and former Port Authority employees, as well as persons doing business with the Port Authority, and sets forth the policies and procedures governing financial disclosure for certain Port Authority employees. An ethics board has also been appointed by the Executive Director of the Port Authority to review matters arising under the Ethics Code. The Ethics Code provides that each employee bears primary responsibility for avoiding financial and other interests that create a conflict between Port Authority employment and personal affairs.

**Operations and Annual Budget**

*Navigant/Rothschild 2012 Reports on the Port Authority*

In connection with the revisions to the Port Authority's bridges and tunnels tolls and PATH fares (see "*Interstate Transportation Network*", and "*Railroad — The Hudson Tubes Facility*") authorized in August 2011, the Governors of the States of New York and New Jersey directed the Board of Commissioners of the Port Authority to commence a comprehensive audit of the Port Authority to find ways to lower costs and increase efficiencies. Navigant Consulting, Inc. was retained by a special committee of the Board of Commissioners of the Port Authority to assist in the comprehensive audit, and prepared a Phase I Interim Report (January 31, 2012), and a Phase II Report (September 2012), reviewing, among other things, potential initiatives and improvements to enhance productivity and efficiency. Additionally, a report was prepared by Rothschild Inc., which focused on the Port Authority's financing strategy and considerations related to the long-term funding of the capital investment needs identified by the Port Authority.

The Port Authority has taken various actions in response to the reports, including requiring employee contributions toward the cost of certain employee benefits and revising or eliminating certain "add-on" compensation programs, restructuring the Committees of the Board of Commissioners of the Port Authority to provide for governance enhancements and improved oversight, accountability and transparency, and implementing revenue enhancement and cost containment initiatives across all line and staff departments to meet the current and future needs of the Port Authority. Other actions recommended by the reports continue to be under consideration by the Board of Commissioners of the Port Authority.

*The Impact of Superstorm Sandy on the Port Authority*

In October 2012, Superstorm Sandy ("Superstorm Sandy") disrupted Port Authority activities at the airports, bridges and tunnels, marine terminals, the World Trade Center site and the PATH system. Most of the Port Authority's facilities are located in low-lying areas surrounding the New York-New Jersey harbor, and all were affected to one degree or another by winds, storm surge and power outages. The PATH system sustained the greatest damage, with significant flooding at several stations, under-river tunnels, tracks and substations. All of the Port Authority's facilities have returned to full operation, with the disruption in service for the most part lasting less than a week.

The current estimate of the Port Authority's economic loss due to Superstorm Sandy is approximately \$2.5 billion. Studies are currently underway at affected facilities to fully ascertain any latent damage caused by salt water intrusion at Port Authority facilities, which may lead to an increase in the current loss estimate.

It is presently anticipated that available insurance coverage and federal disaster relief funds will substantially cover the Port Authority's currently estimated economic loss from Superstorm Sandy.

## APPENDIX C

---

### *2015 Operating Results*

The Port Authority's net operating revenues (as defined in the Consolidated Bond Resolution) for the year ended December 31, 2015 totaled \$1.8 billion, an increase of \$265 million, or 17% higher than the year ended December 31, 2014. A \$50 million contingency reserve was authorized by the Board of Commissioners of the Port Authority in December 2015. This reserve will be available in 2016 and beyond to cover any unbudgeted, unforeseeable and uncontrollable costs.

Gross operating revenues for 2015 totaled \$4.8 billion, reflecting an increase of \$345 million or 7.7% from 2014. Toll revenue at the Port Authority's six (6) vehicular crossings increased \$149 million, primarily due to scheduled increases in tolling rates that became effective in December 2014 and December 2015, respectively, and a 1.7% increase in vehicular traffic. PATH fares increased \$16 million, primarily due to scheduled increases in PATH fares that became effective in October 2014 and a 3.9% increase in ridership levels. Rental income increased \$145 million or 11% over 2014 due to an increase in fixed and percentage rentals related to One World Trade Center, One World Trade Center observation deck which opened to the public in 2015 and aviation facilities.

Operating expenses for 2015 totaled \$2.9 billion, a decrease of 1% when compared to 2014. Operating expenses at aviation, tunnels, bridges and terminals ("TB&T"), development facilities and PATH decreased approximately \$89 million from 2014, primarily due to lower self-insured public liability and worker's compensation loss reserves, lower overtime related to policing activities due to the addition of new police officers, lower employee compensation and third party contractor payments related to snow removal activities due to less severe winter weather conditions throughout 2015, and lower corporate overhead related to rent for vacated temporary corporate offices. Offsetting these decreases was a \$66 million increase in World Trade Center operating expense, including payments-in-lieu-of-taxes ("PILOT") to the City of New York, primarily related to the continued transitioning of the World Trade Center site to a fully operational facility.

Debt service, inclusive of total principal payments and operating interest expense related to asset financing obligations increased 21% to \$1.2 billion in 2015 primarily due to a decrease in the overall amount of World Trade Center related capital projects still under construction that are eligible to receive capitalized interest allocations.

### *2016 Annual Budget Compared to 2015 Actual Expenditures*

The Port Authority's budget for calendar year 2016, adopted on December 10, 2015 by the Board of Commissioners of the Port Authority, provides for estimated expenditures totaling \$7.9 billion, representing an increase of \$1.2 billion from 2015 actual expenditures as a result of increased capital expenditures.

The estimated operating expenses of \$3 billion in the budget for calendar year 2016 reflect an increase of \$66 million or 2% when compared to 2015 actual operating expenses. Deferred and other expenditures of \$122 million set forth in the budget for calendar year 2016 are \$65 million higher than actual deferred and other expenditures for calendar year 2015 primarily due to the purchase of additional operating equipment, additional technology system costs and vehicle replacements.

The estimated debt service of \$1.2 billion in the budget for calendar year 2016 is \$44 million higher than actual debt service for calendar year 2015 primarily due to higher scheduled interest and principal payments on Consolidated Bonds, Variable Rate Master Notes and Commercial Paper obligations.

The estimated capital expenditures of \$3.5 billion in the budget for calendar year 2016 are 42% higher compared to the actual capital expenditures of \$2.5 billion for calendar year 2015. This increase is

## APPENDIX C

---

attributable to the completion of major elements of the World Trade Center site construction and increased investments across all other facilities.

### *Staffing Levels*

The Port Authority and PATH budget for calendar year 2016 includes 7,137 permanent employee positions. In addition, New York New Jersey Rail, LLC has 12 employees, and the Port Authority's other related entities have no employees.

### *Operating and Construction Costs*

It is expected that costs with respect to individual Port Authority facilities will continue to increase and that there will be an increasing need for capital investment for the renovation or rehabilitation of existing and additional facilities in order for the Port Authority to continue to maintain appropriate levels of service. Construction costs in connection with Port Authority facilities are subject, among other items, to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, security, commerce, energy and environmental permits and approvals and environmental impact analyses. Port Authority operating revenues are also subject to the effects of national and regional economic conditions, including fuel availability and costs, labor and equipment costs and the nature of federal legislation, governmental regulations and judicial proceedings with respect to transportation, security, commerce, energy and environmental protection. Port Authority operating revenues and capital requirements may also be affected by enacted or proposed reductions in various federal programs. Additionally, resolution of existing matters and associated proceedings (certain of which are described herein), or those which arise during the course of construction or operation of Port Authority facilities, including those pertaining to environmental conditions and channel improvements and dredging, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority.

On May 22, 2014, the City of Jersey City, New Jersey ("Jersey City") instituted an action in the United States District Court for the District of New Jersey against the Port Authority and PATH seeking, among other things, (i) an order declaring that the Port Authority is not entitled to unqualified tax exemptions on property it owns in Jersey City and directing it to pay all back taxes due and owing on properties not subject to payment-in-lieu-of-taxes agreements; (ii) an order directing the Port Authority to enter into payment-in-lieu-of-taxes agreements with respect to all properties it owns in Jersey City and precluding the Port Authority from constructing any industrial project or facility in Jersey City until said agreements have been entered into; (iii) reformation of the existing payment-in-lieu-of-taxes agreements to increase the payments and set definite terms; and (iv) an order declaring that the properties owned by the Port Authority which are not used for a public purpose be subject to real estate taxes. In this action, Jersey City alleges that the Port Authority properties in Jersey City would yield \$18 million in annual real estate taxes and would have yielded more than \$315 million in additional taxes during the period of Port Authority ownership. The Port Authority disputes Jersey City's allegations in this matter and intends to vigorously defend the Port Authority's position under the applicable law, including but not limited to the provisions of the bi-State legislation pertaining to the Port Authority's facilities and those pertaining to the Port Authority's immunity from taxes and payment-in-lieu of such taxes.

### *Certain Information With Respect to Security Initiatives at Port Authority Facilities*

The Port Authority has undertaken various initiatives with respect to security at its facilities, in certain cases pursuant to the requirements of federal legislation. The implementation of these security initiatives may involve additional capital and/or operating costs to the Port Authority. Certain of these costs have been reimbursed through various federal programs.

## APPENDIX C

---

Pursuant to the terms of the Aviation and Transportation Security Act, which was signed by the President of the United States on November 19, 2001, the Transportation Security Administration assumed responsibility for civil aviation security, including day-to-day federal screening operations for passenger air transportation, and is providing federal passenger and baggage screening staff and a federal Security Director at John F. Kennedy International Airport, LaGuardia Airport and Newark Liberty International Airport.

On April 26, 2012, in response to the recommendations of a top-to-bottom study of the Port Authority's management of security and agency-wide security operations, the Board of Commissioners of the Port Authority directed that a Port Authority Security Department be established with centralized control over all Port Authority security functions, programs, resources and personnel, including the Port Authority Police Department, and that this new department be headed by a Chief Security Officer. Additionally, the Board of Commissioners of the Port Authority authorized, among other items, the amendment of the Port Authority's mission statement to reflect the permanent priority of security and safety to the agency. Various actions have been taken since that time within the Port Authority, under the supervision of a Chief Security Officer ("CSO"), who became a member of Port Authority staff in November 2012 (see "*Staff*").

Current security initiatives include enhancements to Port Authority security operations, augmentation of the security organizational structure, increases in management and staffing of the Port Authority Police Department, and improvements to the monitoring and protection of Port Authority infrastructure. Under the direction of the CSO, a new security organizational structure has been established that centralizes the agency's security functions. Further, the addition of new Port Authority police officers has increased the law enforcement presence and response capabilities at Port Authority facilities. Management oversight at the police commands has increased with the hiring of new command staff. A dedicated cadre of aircraft rescue and fire fighting ("ARFF") personnel has been assigned to the Port Authority's aviation facilities. ARFF training, led by an ARFF Fire Chief reporting to the CSO and supported by an ARFF Training and Certifications Captain, has also been significantly enhanced, with a focus on improved records management.

Additionally, the Port Authority is undergoing a top-to-bottom cyber security risk assessment, asset inventory, and network infrastructure monitoring effort that will improve cyber security, as well as increase education, prevention, detection, mitigation and recovery efforts related to cyber threats. Finally, the World Trade Center ("WTC") Director of Security, reporting to the CSO, is responsible for a multi layered security program that employs the use of sound operational strategies and security technology solutions. The program ensures that the key elements of the WTC campus security plan that were jointly developed by the Port Authority and the New York City Police Department are effectively implemented at the site. The CSO continues to lead efforts that focus upon the most effective security operations at the Port Authority.

### *Proceeds of Bonds, Notes and Other Obligations*

Periodically, in connection with the Port Authority's capital program projections, the Board of Commissioners of the Port Authority adopts resolutions which authorize the sale of bonds, notes and other obligations by the Port Authority. The proceeds of such bonds, notes or other obligations are authorized to be used for any purpose for which at the time of their issuance the Port Authority is authorized by law to issue its bonds, notes or other obligations. Such purposes include capital projects at Port Authority facilities and refunding Port Authority obligations either on a current basis (within ninety days of the issuance of the refunding obligations) or on an advance basis (more than ninety days after the issuance of the refunding obligations).

*Limitations on Variable Interest Rate Obligations*

It is the current policy of the financial departments of the Port Authority to limit the issuance of variable interest rate obligations to a total aggregate principal amount not in excess of 20% of the total aggregate principal amount of all of the Port Authority's outstanding obligations (excluding Special Project Bonds and Port Authority Equipment Notes). As of April 15, 2016, variable rate obligations outstanding were approximately 2.51% of such total aggregate principal amounts.

*The facilities of the Port Authority are described below in detail.*

**Interstate Transportation Network**

The Port Authority operates all the interstate vehicular tunnels and bridges in the Port District which, together with the Port Authority Bus Terminal, PATH and the Trans-Hudson Ferry Service, constitute the Port Authority's interstate transportation network. Each of the tunnels and bridges accommodates both eastbound and westbound traffic. For purposes of efficiency and economy in collection, tolls are collected in the eastbound direction only. Since 1990, the Port Authority has participated in the E-ZPass<sup>®</sup> Interagency Group, now known as the E-ZPass<sup>®</sup> Group, which currently includes twenty-five public agencies, including the Port Authority, and two private toll operators in various States, including New York, New Jersey, Pennsylvania, Maryland, Delaware, Massachusetts, New Hampshire, Maine, Virginia, West Virginia, Illinois, Indiana, Rhode Island, Ohio, North Carolina and Kentucky, in connection with the implementation of a regional electronic toll collection system. The E-ZPass<sup>®</sup> electronic toll collection system was phased into operation at all Port Authority bridges and tunnels during the second half of 1997.

The bridges of the Port Authority now in operation were constructed pursuant to the Federal Bridge Act of 1906 under which the Congress of the United States required that the tolls on bridges constructed thereunder shall be reasonable and just. Under the 1906 Act, the Secretary of War (to whose duties the Secretary of the Army and, from 1966 until April 2, 1987, the Secretary of Transportation, succeeded) was authorized at any time and from time to time to prescribe reasonable rates of toll. The Secretary of War in 1937, the Secretary of the Army in 1947, 1948, 1949 and 1950, and the Federal Highway Administrator, as the delegate of the Secretary of Transportation, in 1977 and 1985, rejected complaints asking for a reduction of the tolls charged for the use of existing Port Authority bridges. Since April 2, 1987, the Federal-Aid Highway Act of 1987, which eliminated the jurisdiction of the Federal Highway Administrator to review toll increases but retained the just and reasonable requirement of the 1906 Act, has applied to tolls on Port Authority bridges. In 1989, the federal courts rejected a challenge, brought under the 1987 Act, to the Port Authority's April 1987 bridge tolls increase.

Since 1977, pursuant to Port Authority policy, public hearings are held by the Port Authority prior to instituting or changing tolls, fares or other charges in connection with any of its vehicular tunnels and bridges or passenger rail facilities.

The tolls schedule for the Port Authority's six vehicular crossings was revised effective on September 18, 2011 (the "2011 Tolls Schedule") and provided for certain scheduled increases on the first Sunday in December each year from 2012 through 2015. The current toll for automobiles paying with cash is \$15.00. The current toll for automobiles and Class 1 vehicles using the E-ZPass<sup>®</sup> electronic toll collection system during peak periods is \$12.50, and during off-peak periods is \$10.50. The toll for truck classes 2-6 paying with cash is \$21.00 per axle. The current toll for truck classes 2-6 using the E-ZPass<sup>®</sup> electronic toll collection system is \$18.00 per axle during peak periods, \$17.00 per axle during off-peak periods, and is \$15.50 per axle during weekday overnight periods. The "Carpool Plan" discount program available to Class 1 or 11 vehicles using the E-ZPass<sup>®</sup> electronic toll collection system with three or more people is currently \$6.50. The discount program for automobiles using the E-ZPass<sup>®</sup> electronic toll collection system at the Bayonne Bridge, Goethals Bridge and Outerbridge Crossing currently provides for customers making three or more trips in any given calendar month to be charged at a discounted rate



## APPENDIX C

---

of \$6.25 per trip. The Port Authority “GreenPass” discount program available to qualifying pre-registered low-emission vehicles with a green E-ZPass<sup>®</sup> tag during off-peak hours currently is \$7.00. The cash toll for buses carrying 10 or more people currently is \$24.00, while the toll for buses using the E-ZPass<sup>®</sup> electronic toll collection system is currently \$13.00. “Peak hours” currently are weekdays from 6:00 a.m. to 10:00 a.m. and 4:00 p.m. to 8:00 p.m., and Saturdays and Sundays from 11:00 a.m. to 9:00 p.m.; “off peak hours” are all other times, except that “weekday overnight hours” for Classes 2, 3, 4, 5, and 6 currently are from 10:00 p.m. to 6:00 a.m., beginning Sundays at 10:00 p.m., and ending Fridays at 6:00 a.m. A truck volume discount program for commercial/business E-ZPass<sup>®</sup> account customers, whose accounts are in good standing, for vehicles registered to such accounts in Classes 2, 3, 4, 5 and 6, making a total of 100 or more New York-bound “off-peak hours” trips in a monthly E-ZPass<sup>®</sup> statement cycle, currently provides for a 10% discount from all non-peak hours tolls for such trips in such monthly statement cycle, in the form of an account credit.

Consistent with applicable statutory provisions and in the effectuation of the Port Authority’s obligations to and for the benefit of the holders of its bonds, on January 4, 2008, the Executive Director of the Port Authority was authorized and directed by the Board of Commissioners of the Port Authority to implement periodic changes in the Port Authority’s bridge and tunnel tolls, calculated in accordance with annual increases in the Consumer Price Index (see “*Pertinent Statutes and General Resolutions*”). To date, application of the authorized calculation methodology has not resulted in any change to the Port Authority’s bridge and tunnel tolls.

In September 2011, the Automobile Club of New York, Inc. d/b/a AAA New York and North Jersey Inc., instituted an action in the United States District Court for the Southern District of New York against the Port Authority seeking (i) a declaration that the 2011 Tolls Schedule is illegal and void under the Federal-Aid Highway Act of 1987 and the Commerce Clause of the United States Constitution; (ii) to preliminarily enjoin the Port Authority from continuing to collect tolls under the 2011 Tolls Schedule pending a determination in this action and directing the Port Authority to reinstate the tolls in effect prior to the 2011 Tolls Schedule, (iii) an order directing the Port Authority to turn over the \$25.1 billion capital plan referred to in the Port Authority’s press release of August 19, 2011, and (iv) to permanently enjoin the Port Authority from setting tolls at a level which includes the cost of reconstructing the World Trade Center and computing a rate of return on capital investments made for the purpose of determining the reasonableness of toll increases that includes the World Trade Center. On February 6, 2012, the District Court denied the plaintiffs’ application for a preliminary injunction. The District Court heard oral argument for the Port Authority’s motion for summary judgment on January 28, 2016.

Additionally, an individual plaintiff also instituted an action in September 2011, in the United States District Court for the Southern District of New York against the Port Authority and certain other entities of the States of New York and New Jersey seeking declaratory and injunctive relief for alleged violations of the plaintiff’s constitutional rights in connection with the Port Authority’s 2011 Tolls Schedule. In October 2011, the District Court dismissed plaintiff’s complaint for failure to state a claim on which relief may be granted, among other things. The plaintiff appealed to the United States Court of Appeals for the Second Circuit, which, in September 2012, affirmed the District Court’s decision in part, and remanded it to the District Court for further proceedings. The Second Circuit concluded that the District Court properly dismissed the plaintiff’s claims based on a constitutional right to travel and to the extent that they were brought as a challenge to the Port Authority’s imposition of tolls, as well as the District Court’s dismissal of certain other claims by the plaintiff. However, the Second Circuit also concluded that the District Court erred in failing to consider whether plaintiff had adequately pleaded a constitutional challenge to the reasonableness of the amount of the tolls under the dormant Commerce Clause of the United States Constitution, and remanded the case to the District Court to determine, in the first instance, whether plaintiff had adequately plead such a claim or should be granted leave to amend the complaint. The Second Circuit also held that, in the alternative, the District Court may, in its discretion, consider staying plaintiff’s action pending a decision in *Automobile Club of New York, Inc. d/b/a AAA New York and New Jersey Inc. v. the Port Authority*, described above. The Second Circuit expressed no opinion as to the merits of a

## APPENDIX C

---

dormant Commerce Clause claim and left it to the District Court to determine the best way to address this issue on remand. In April 2013, the plaintiff filed a petition for writ of certiorari with the Supreme Court of the United States, which was denied in October 2013. On December 23, 2013, the plaintiff filed an amended complaint with the District Court, which was served on the Port Authority on March 10, 2014. On May 9, 2014, the Port Authority filed a motion to dismiss the amended complaint, and in the event the complaint is not dismissed, requested a stay of proceedings to permit the issues to be resolved in the context of *Automobile Club of New York, Inc. d/b/a AAA New York and New Jersey Inc. v. the Port Authority*, described above.

The Port Authority disputes the plaintiffs' allegations in the matters described above and is vigorously defending the Port Authority's position that the 2011 Tolls Schedule is consistent with the just and reasonable requirement of the Federal-Aid Highway Act of 1987, that it does not violate the Commerce Clause, and conforms with established case law.

### *Holland Tunnel*

The Holland Tunnel was constructed and originally operated by the New Jersey Interstate Bridge and Tunnel Commission and the New York State Bridge and Tunnel Commission. In 1931, its control, operation, tolls and other revenues were vested in the Port Authority. The tunnel provides a traffic link under the Hudson River between Lower Manhattan and I-78 (New Jersey Turnpike Extension) and other New Jersey highways at Jersey City, N.J. Each of its two tubes has a twenty-foot wide roadway consisting of two traffic lanes. The portal to portal length is about 8,500 feet.

### *Lincoln Tunnel*

The Lincoln Tunnel, also a Hudson River crossing, connects midtown Manhattan in the vicinity of West 39th Street to the New Jersey highway system including I-95 (New Jersey Turnpike) via N.J. Route 495 at Weehawken, N.J. The two-lane roadway of each of the three tubes of the tunnel is twenty-one feet wide and their portal to portal length averages about 7,900 feet. The first tube of the tunnel was opened to traffic in 1937, with the second and third tubes opened to traffic in 1945 and 1957, respectively. Six lanes of traffic can flow at one time and the direction of the two center tube lanes can be varied to accommodate demand.

In recognition of the ongoing needs of the Port Authority's facilities for efficient transportation access and egress for goods and people, at its meeting on March 29, 2011, the Board of Commissioners of the Port Authority authorized the effectuation of the Port Authority's participation, in cooperation with the New Jersey Department of Transportation ("NJDOT"), in the Route 1&9 Pulaski Skyway, Route 139 (Hoboken and Conrail Viaducts), Route 7 Hackensack River (Wittpenn) Bridge, and Route 1&9T (New Road) projects (or suitable replacement projects mutually agreed upon with NJDOT) (collectively, the "Lincoln Tunnel Access Infrastructure Improvements"), on a basis consistent with the Port Authority's budget and capital plan.

### *George Washington Bridge*

The George Washington Bridge, which opened for traffic in 1931, is a fourteen-lane, two-level suspension bridge over the Hudson River joining upper Manhattan and Fort Lee, N.J., and is a key link in the northern metropolitan highway bypass system. The bridge and its approaches provide connections via I-95 (New Jersey Turnpike) between I-80 in New Jersey and I-87 (New York State Thruway) in New York as well as other regional highway systems in each State. The length of the river span of the bridge is approximately 3,500 feet, the length of the principal bridge structure between anchorages is 4,760 feet, and the width is 119 feet.

## APPENDIX C

---

The lower level of the George Washington Bridge was placed in operation in August 1962. This improvement provided six traffic lanes in addition to the eight on the upper level. In conjunction therewith the Port Authority also constructed a new approach highway across northern Manhattan. In January 1963, the George Washington Bridge Bus Station was placed in operation. Located in the Washington Heights section of Manhattan, the Bus Station was constructed as part of the George Washington Bridge improvement. In July 2011, the Port Authority executed agreements with a private developer in connection with a project to redevelop the Bus Station, as well as a net lease of the retail areas therein. The redevelopment project consists of upgrading and consolidating bus operations, modernizing the Bus Station to provide for more efficient operations, and increasing the retail space within the Bus Station. The redevelopment of the George Washington Bridge Bus Station is expected to be completed in the fourth quarter of 2016.

### *Bayonne Bridge*

The Bayonne Bridge, opened in 1931 over the Kill Van Kull, connects Bayonne, N.J., and Port Richmond, N.Y., on Staten Island. The bridge, which accommodates four lanes of vehicular traffic, is a steel arch structure 85 feet wide, the length of the arch span is 1,675 feet and the total length of the bridge and approaches is about 6,700 feet.

On August 13, 2009, the Board of Commissioners of the Port Authority authorized planning and conceptual engineering services for a preliminary alternatives analysis to address the anticipated navigational clearance limitations posed by the Bayonne Bridge due to the expansion of the Panama Canal, currently scheduled for completion in 2016. On December 29, 2010, following a comprehensive review of numerous alternatives, the Port Authority announced its intention to advance a program to raise the Bayonne Bridge's roadbed by approximately 64 feet to eliminate the navigational clearance limitations ("Bayonne Bridge Navigational Clearance Program"). On January 4, 2013, a Draft Environmental Assessment ("DEA"), prepared in accordance with the National Environmental Policy Act ("NEPA"), was published by the United States Coast Guard to evaluate the potential environmental, economic and social impacts of the Bayonne Bridge Navigational Clearance Program. On April 24, 2013, the Board of Commissioners of the Port Authority authorized a project to replace the main span roadway and approach structures at the Bayonne Bridge as part of the Bayonne Bridge Navigational Clearance Program, at an estimated total project cost of \$1.29 billion. The NEPA process for the project concluded on May 16, 2013, with the publication of a Final Environmental Assessment ("FEA") and a Finding of No Significant Impact ("FONSI") from the United States Coast Guard which was followed by the issuance of the required amendment to the Section 9 Bridge Permit on May 23, 2013. Construction, which commenced in June 2013, is currently expected to be complete in mid-2019, with increased navigational clearance achieved in late-2017, potentially resulting in an increase in total project costs of approximately 25%.

On July 31, 2013, certain plaintiffs, including the Coalition for Healthy Ports and Natural Resources Defense Council, Inc., commenced an action in the United States District Court for the Southern District of New York against certain defendants, including the United States Coast Guard and the Port Authority, alleging, inter alia, that the United States Coast Guard violated NEPA and the Administrative Procedure Act ("APA") by not conducting an adequate assessment of the environmental impacts of the Bayonne Bridge Navigational Clearance Program, by relying on non-disclosed information in the FEA, and by failing to prepare an Environmental Impact Statement ("EIS"). The plaintiffs sought to invalidate the FONSI, require an EIS, stay the effectiveness of the Bridge Permit amendment until an EIS was prepared, and enjoin construction. On November 24, 2015, the District Court granted the motions for summary judgment filed by the Port Authority and the United States Coast Guard. The District Court also denied the plaintiffs' competing motion for summary judgment, thus dismissing the case in its entirety. In sum, after examining the FEA and the underlying record on which it was based, the District Court held that the United States Coast Guard had satisfied its obligations under NEPA and took the legally required "hard look" at the project's potential impacts. The plaintiffs did not file an appeal of the District Court's decision and order, and the time period for such filing has expired.

*Goethals Bridge*

The Goethals Bridge, opened in 1928 over the Arthur Kill, between Elizabeth, N.J. and Howland Hook, N.Y., on Staten Island, furnishes a direct connection between I-95 (New Jersey Turnpike) and I-278 (Staten Island Expressway). The bridge is a cantilever structure with a center span of 672 feet, which accommodates four lanes of vehicular traffic. The total length of the bridge and approaches is about 11,825 feet.

On August 30, 2013, the Port Authority and a private developer entered into an agreement (the "Project Agreement") for a public-private partnership for the design, construction, financing and maintenance of a replacement Goethals Bridge (the "Replacement Bridge"), a cable-stayed bridge with six twelve-foot wide travel lanes, twelve-foot wide outer shoulders, and five-foot wide inner shoulders, that will improve safety, alleviate congestion, and accommodate future traffic growth. Pursuant to the Project Agreement, the private developer will perform certain operation and maintenance work, and the Port Authority will retain control over the toll collection system, including its operation and maintenance. On November 8, 2013, the private developer obtained certain financing for the construction of the Replacement Bridge through the issuance by the New Jersey Economic Development Authority of \$460,915,000 in tax-exempt private activity bonds, and a Transportation Infrastructure Finance and Innovation Act ("TIFIA") direct loan in the amount of \$473,673,740 (excluding capitalized interest) from the United States Department of Transportation, acting by and through the Federal Highway Administration. Construction activities commenced in December 2013, and substantial completion of the Replacement Bridge is presently expected to occur in the first quarter of 2018, and project completion, including the demolition of the existing bridge, is presently expected to occur in the fourth quarter of 2018.

Pursuant to the Project Agreement, the Port Authority will make milestone payments to the private developer in the aggregate amount of \$150,000,000 upon satisfactory achievement of certain milestones during the construction of the Replacement Bridge. Upon the substantial completion of the Replacement Bridge, the Port Authority is required to make a payment to the private developer in the amount of \$1,019,867,421, subject to certain adjustments. In lieu of a cash payment at that time, the developer will extend a loan in that principal amount to the Port Authority, to be repaid in monthly payments of principal and interest (the "DFA Payments") over the term of the Project Agreement, which has a scheduled expiration date on the thirty-fifth anniversary of the substantial completion date of the Replacement Bridge. The DFA Payments are subject to certain deductions for non-compliance by the private developer with the terms of the Project Agreement. The DFA Payments are a special obligation of the Port Authority, payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes, or from net revenues (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of the Project Agreement, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution. Payment of the DFA Payments is subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund statutes. The Port Authority's payment of the DFA Payments is not secured by or payable from the General Reserve Fund. Additionally, the Port Authority's special obligation with respect to the DFA Payments does not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority. The Port Authority is also required to pay the private developer a monthly capital maintenance payment and a monthly operational maintenance payment, which are also subject to certain deductions for non-compliance by the private

## APPENDIX C

---

developer with the Project Agreement, and which are payable in the same manner as other Port Authority capital and operating expenses.

### *Outerbridge Crossing*

The Outerbridge Crossing, similar in design to the Goethals Bridge and opened at the same time, also spans the Arthur Kill between Perth Amboy, N.J., and Tottenville, N.Y., on Staten Island, and provides interconnections between I-95 (New Jersey Turnpike) and the Garden State Parkway via Route 440 to the West Shore Expressway, Richmond Parkway and I-278 (Staten Island Expressway), thereby furnishing a limited access connection with Long Island via the Verrazano-Narrows Bridge. The center span of this cantilever structure, which accommodates four lanes of vehicular traffic, is 750 feet in length, and the total length of the bridge and approaches is about 10,140 feet.

### *Port Authority Bus Terminal*

The Port Authority Bus Terminal (the “Bus Terminal”), which occupies approximately one and one-half city blocks between West 40th and West 42nd Streets and between Eighth and Ninth Avenues in midtown Manhattan, one block west of Times Square, began operations in December 1950. The Bus Terminal is approximately 800 feet long with approximately 450 feet of frontage on Eighth Avenue. The Bus Terminal has two passenger mixing and distribution levels and three automobile parking levels, and serves both local intercity commuter and longer haul buses on three bus operating levels. The two upper bus levels have direct off-street ramp connections to the Lincoln Tunnel and the lower bus level has access to the Lincoln Tunnel via a connecting tunnel under Ninth Avenue. Each level of the North Wing, with the exception of the ground floor, extends over or under West 41st Street to connect directly with its counterpart level in the South Wing. The foundation of the North Wing, which was completed in 1981, was constructed to permit the development of a high-rise building in the air space above the North Wing.

The Port Authority has undertaken a Midtown Manhattan bus master planning effort study to assess options for replacing the Bus Terminal to meet the growing demand for terminal gates and bus parking facilities. The study has also evaluated funding options, including the sale of unused Port Authority development rights at the Bus Terminal and on the roadways that connect to the Lincoln Tunnel. The master plan produced a number of original concepts, which were subsequently screened through several rounds of analyses and vetting against the master plan objectives to select the top five design concepts that best fulfilled the objectives of the effort. Those five concepts were presented to the Port Authority’s Board of Commissioners and to their Working Group of selected Commissioners designated to review the concepts and recommend a course of action to the full Board. In September 2015, the Board’s Working Group recommended a concept with the western realignment of the Bus Terminal as the preferred option. After further deliberation, the Board endorsed the Working Group’s recommendation of a preferred option, and directed that it be evaluated against additional concepts which would be solicited from an International Design and Deliverability Competition. That competition is currently underway with recommendations expected in September 2016. In addition, the Board directed that a Trans-Hudson Commuting Capacity Study be undertaken to advise on strategies for meeting and managing the anticipated increases in trans-Hudson commuter demand over the next 30 years. This study is underway and expected to be completed in June 2016. As an interim measure, on July 25, 2014, the Board of Commissioners of the Port Authority authorized the implementation of a “Quality of Commute” improvement program to provide for short-term improvements at the Bus Terminal, consisting of projects to improve on-time performance and customer service with a total program cost of \$90 million, with appropriate 2014-2023 Capital Plan reallocations to support this program.

Further, on March 24, 2016 the Board of Commissioners of the Port Authority committed that in establishing the Port Authority’s 2017-2026 Capital Plan, which encompasses both revenues and expenditures, to allocate funds for the construction of a new Port Authority Bus Terminal, to be located on the west side of Manhattan, in an amount sufficient to accommodate the anticipated future capacity

## APPENDIX C

---

needs of the new Port Authority Bus Terminal, which will be informed by the results of the Design and Deliverability Competition and Trans-Hudson Commuting Capacity Study, with the understanding that no bus terminal will be built in New Jersey.

### *Railroad — The Hudson Tubes Facility*

In 1962, the two States enacted legislation which authorized the Port Authority to undertake a port development project consisting of a World Trade Center and the Hudson Tubes, an interurban rapid transit system between New York and New Jersey formerly operated by the Hudson & Manhattan Railroad Company, and certain limited extensions of the Hudson Tubes. The Port Authority was authorized to cooperate with other agencies of government in the rehabilitation and redevelopment of the Hudson Tubes-World Trade Center areas, in part for the purpose of the renewal and improvement of such areas, as part of this port development project. The Hudson Tubes are defined as essentially the interurban rapid transit system operated between Newark, N.J., and New York, N.Y., including the spur to and from Hoboken, N.J., together with the former terminal buildings of the Hudson & Manhattan Railroad Company. The legislation, as subsequently amended, also provides for certain Hudson Tubes extensions pertaining to passenger railroad facilities in the State of New Jersey, as well as a series of improvements to Pennsylvania Station in the City of New York, and to its railroad approaches from the State of New Jersey. The legislation also provides for the Port Authority to acquire, rehabilitate and operate this rail transit property either directly or through a wholly owned subsidiary corporation.

The Port Authority Trans-Hudson Corporation was formed in May 1962 by the Port Authority, and on September 1, 1962, it acquired by condemnation the Hudson Tubes railroad and equipment owned by the Hudson & Manhattan Railroad Company interests, including the Hudson Terminal buildings in Manhattan. Title to the Journal Square Station and related property necessary to undertake the development of the Journal Square terminal, described below, was vested in the Port Authority Trans-Hudson Corporation in February 1970.

In its Certificate filed August 24, 1962, authorizing acquisition and operation of the Hudson Tubes by the Port Authority Trans-Hudson Corporation, the Interstate Commerce Commission stated in part: “The Port of New York Authority is not a carrier under the provisions of the [Interstate Commerce] act and the effectuation of the proposed transaction by the Port Authority Trans-Hudson Corporation, a wholly owned subsidiary of the Port of New York Authority, will not make the Port of New York Authority a carrier under the act.” Fares charged on PATH are not at the present time subject to federal regulation.

The Commissioners of the Port Authority serve as the Directors of the Port Authority Trans-Hudson Corporation, and Patrick J. Foye is its President.

Railroad improvements and routings which were undertaken by the State of New Jersey and the commuter railroads involved and put into operation in April 1967 (the “Aldene Plan”), furnish direct service for the former Central Railroad of New Jersey main line and shore passengers to Pennsylvania Station, Newark, N.J. There such passengers may transfer to PATH trains going to Manhattan or to the New Jersey Transit Corporation service to Pennsylvania Station in mid-Manhattan. As part of the Aldene Plan and to accommodate the additional passengers, the Port Authority Trans-Hudson Corporation has leased, is improving and operates facilities between Newark and Jersey City, which prior to April 1967 were used in the operation of PATH-Pennsylvania Railroad joint service, including the Journal Square Station.

In connection with the construction of the World Trade Center, the Port Authority razed the Hudson Terminal buildings in Manhattan and replaced the terminal with the PATH terminal, which was constructed under the World Trade Center. This terminal was destroyed together with the World Trade Center as a result of the terrorist attacks of September 11, 2001. The restoration of PATH services to the World Trade Center site, including construction of the temporary PATH station, the rehabilitation and

## APPENDIX C

---

expansion of PATH's Exchange Place Station (Jersey City, N.J.) and the development of the World Trade Center Transportation Hub project, as well as projects pertaining to the redevelopment of the World Trade Center site and other comprehensive Lower Manhattan transportation improvements, are described at "*The Port Authority's Downtown Restoration Program*."

PATH provides mass transit services through a rail rapid transit system with an operating fleet of approximately 350 air-conditioned passenger cars. On March 31, 2005, the Board of Directors of the Port Authority Trans-Hudson Corporation authorized the purchase of 340 new PATH railcars to replace the existing PATH railcar fleet. On August 5, 2010, the Board of Directors of the Port Authority Trans-Hudson Corporation authorized the purchase of an additional 10 railcars to bring the total of new railcars to 350. As of July 2012, all 350 new PATH railcars have been placed into service. In addition, PATH is undertaking a replacement and upgrade of its signals system to allow for automatic train control, including implementation of a Positive Train Control System. PATH has also commenced initiatives to allow for 10-car train operations on the Newark to World Trade Center service line, from the current eight-car trains, and the replacement of the Harrison Station to accommodate such operations. The ongoing PATH safety program includes installation of improved tunnel and station ventilation systems, emergency access/egress stairways and additional standpipe systems.

The Port Authority is also continuing the modernization of PATH's trackage, signal system, power system, stations and other facilities of the former Hudson Tubes. Developments at the Journal Square terminal area in Jersey City completed by the Port Authority include rehabilitation and extension of platforms to accommodate 10-car trains, a new area for the distribution of passengers on and off PATH and to and from buses, a consolidated bus station, a multi-level parking area for more than 600 automobiles and an 11-story PATH administration building (known as the "Journal Square Transportation Center").

The PATH fare schedule was revised effective on September 18, 2011, and provided for certain scheduled increases on October 1 each year from 2012 through 2014. The current PATH base fare (which became effective October 1, 2014) for a single trip is \$2.75. The current PATH fare for seniors is \$1.00 per trip. Multi-trip tickets are currently available as 10-trip tickets for \$21.00, 20-trip tickets for \$42.00 and 40-trip tickets for \$84.00, and PATH SmartLink unlimited passes are currently available as a 1-day unlimited pass for \$8.25; a 7-day unlimited pass for \$29.00; and a 30-day unlimited pass for \$89.00. The PATH fare schedule was previously revised effective on March 2, 2008.

It is anticipated that PATH will continue to generate an annual operating deficit in future years. The annual operating deficit (including depreciation, amortization and Port Authority central expenses allocated to PATH, but not including debt service or grants) increased to \$410,451,000 in 2015 from \$397,520,000 in 2014. The increase in the operating deficit in 2015 from 2014 was primarily due to an increase in depreciation expense related to PATH capital infrastructure assets, primarily at the World Trade Center Transportation Hub, that are ready for their intended use and are being depreciated over their estimated useful life. The General Reserve Fund or other available Port Authority revenues or reserves, including net revenues (as defined in the Consolidated Bond Resolution) deposited to the Consolidated Bond Reserve Fund, are applicable to deficits resulting from the cost of operations or debt service allocable to this facility.

On May 9, 2012, the Port Authority and the Moynihan Station Development Corporation ("MSDC"), a subsidiary of Empire State Development, jointly announced the commencement of Phase I of the redevelopment of the James A. Farley United States Post Office Building into a new rail transportation facility serving the New York and New Jersey Region. Construction began in September 2012, and the following elements of Phase I are scheduled for completion in 2016: expansion of the West End Concourse of Pennsylvania Station to provide access to eight additional tracks, two new above-grade entrances through the Farley Building at the corners of Eighth Avenue and West 31st and 33rd Streets, and expansion and improvement of the existing passageway below 33rd Street between Pennsylvania Station and the West End Concourse together with new subway stairs. Certain portions of a new platform ventilation

## APPENDIX C

---

system under the Farley Building are under construction as part of Phase I. The Port Authority's share of \$10 million of the Phase I costs reflects a 2004 commitment by the Port Authority to fund a portion of the West End Concourse expansion. Phase II will involve the construction of a new train hall to be located in the Farley Building, along with public circulation space, waiting areas, space for Amtrak operations, certain non-public support spaces, and retail space immediately surrounding the train hall and waiting areas. The Port Authority has entered into an agreement with MSDC to provide certain consulting and management services in connection with the Phase I redevelopment and on December 10, 2015, the Board of Commissioners of the Port Authority authorized the Executive Director to amend such agreement to include Phase II work.

On March 24, 2016, the Board of Commissioners of the Port Authority authorized the Executive Director to arrange for a study of proposals for the Port Authority to participate further in the redevelopment of the Farley Building in an intermodal transportation center, through a transaction which could include a commitment of up to \$150 million to the project, with such arrangement to provide one or more of the following: (1) enhanced airport access for passengers and others using John F. Kennedy International Airport and Newark Liberty International Airport; (2) enhanced services for PATH commuters; and/or (3) for other purposes consistent with existing legislation and agreements with the holders of the Port Authority's obligations, with the Executive Director to report to the Board of Commissioners regarding such study, and authorization to be sought from the Board of Commissioners for any further action regarding participation by the Port Authority in the redevelopment of the Farley Building (see also "*The Governors' Agreement of June 1, 2000*").

### *Meadowlands Passenger Rail Facility*

The Meadowlands Passenger Rail Facility, authorized by the Board in February 2006, is located in East Rutherford, N.J., and consists of a two-track rail spur of approximately two miles in length constructed by New Jersey Transit Corporation ("NJ Transit") linking its Pascack Valley Rail Line to the site of the Meadowlands Sports Complex from Hoboken, N.J. The Port Authority participated in this project by providing approximately \$150,000,000 of the project's capital costs. The project was completed in July 2009.

On February 23, 2006, the Board of Commissioners of the Port Authority certified the Meadowlands Passenger Rail Facility as an additional facility of the Port Authority, from which the Port Authority does not expect to derive any revenues, and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Trans-Hudson Ferry Service*

Commuter ferry service, which commenced in October 1989, between Hoboken, N.J. (at a site adjacent to New Jersey Transit Corporation's rail and bus terminals and PATH's Hoboken station), and Battery Park City in Lower Manhattan (at a site adjacent to the World Financial Center), is provided by a private sector entity under various agreements with the Port Authority pertaining to such service.

From time to time, the Board of Commissioners of the Port Authority has taken action in connection with the creation of new ferry service routes, operated by private sector entities under agreements with the Port Authority pertaining to such service, and the Port Authority has undertaken various ferry projects in the New York and New Jersey portions of the Port District to enhance interstate mass transit capacity.

On September 14, 1989, the Board of Commissioners of the Port Authority certified the Trans-Hudson Ferry Service as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.



## APPENDIX C

---

### Air Terminals

The Port Authority owns or operates five airports to serve the Port District. The Port Authority's airport revenues are somewhat insulated against dramatic downturns in the aviation industry because they come from a variety of sources, including cost-recovery based agreements, facility rentals and commercial activities at the airports. A limited number of these sources are related to passenger and cargo volume at the airports and may be affected by trends in the airline industry, the nature of federal legislation, governmental regulations and judicial proceedings affecting the airline industry, including with respect to security, and national economic conditions. In 2015, John F. Kennedy International Airport, LaGuardia Airport and Newark Liberty International Airport handled approximately 122.2 million passengers, an increase of approximately 5.5% from 2014. In 2015, Stewart International Airport handled approximately 281,754 passengers, a decrease of approximately 8.9% from 2014.

Airlines operating at John F. Kennedy International Airport, LaGuardia Airport and Newark Liberty International Airport are required to pay to the Port Authority, as compensation for the Port Authority's ongoing design, construction, operation and maintenance of certain public aircraft facilities, a flight fee, which is calculated generally on the basis of the direct and allocated costs of operating and maintaining such public aircraft facilities and the weight of aircraft using the airport. The flight fee agreement for Newark Liberty International Airport expires in 2018. On December 1, 2004, the Port Authority and the airlines representing a majority of the traffic at John F. Kennedy International Airport and LaGuardia Airport entered into new flight fee agreements, effective as of January 1, 2004 (replacing the prior agreements which expired on December 31, 2003) for a twenty-year term expiring on December 31, 2023.

Beginning in 1992, the Federal Aviation Administration ("FAA") has granted applications submitted by the Port Authority in connection with the imposition and use of passenger facility charges established under federal law ("PFCs") at LaGuardia, John F. Kennedy International and Newark Liberty International Airports, and, as of May 17, 2010, at Stewart International Airport, to be collected by the airlines on behalf of the Port Authority, and to be expended by the Port Authority for certain authorized projects of the Port Authority. Pursuant to federal law the collection and expenditure of the PFCs is restricted to PFC eligible projects undertaken with the prior approval of the FAA. Most recently, on March 8, 2013 and July 5, 2013, the FAA approved Port Authority applications to impose and to use PFCs at John F. Kennedy International Airport, Newark Liberty International Airport, LaGuardia Airport and Stewart International Airport, at the current rate of \$4.50 per enplaned passenger to fund new projects. Future applications would be submitted by the Port Authority to the FAA for authority to continue PFC collection at the airports for eligible airport-related capital construction and planning projects.

From time to time, certain members of Congress have considered the repeal of the provisions of the Federal Airport and Airway Improvement Act of 1982 that exempt the Port Authority from prohibitions on certain uses of airport revenues. In connection therewith, the Port Authority has generally pointed out that Congress and the United States Department of Transportation have repeatedly looked at the financial practices of the small number of airports that may legally use airport revenues for non-airport governmental purposes and found that they had good reasons for doing so. In the Port Authority's case, those reasons are functions of several New York and New Jersey statutes and bond covenants requiring pooling of surplus Port Authority revenues to facilitate the financing and effectuation of its facilities, including the airports.

#### *Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters*

The Port Authority operates John F. Kennedy International Airport and LaGuardia Airport under a lease agreement with the City of New York entered into in 1947 and amended and supplemented from time to time thereafter.

## APPENDIX C

---

On November 24, 2004, the City of New York and the Port Authority amended and restated the lease agreement, among other items, to provide for the extension, effective as of January 1, 2002, of the term of such lease agreement through December 31, 2050. Upon execution of the lease extension the Port Authority made a lump sum payment to the City of New York in the amount of \$500 million, and an additional lump sum payment in the amount of approximately \$280 million, representing the increase in minimum annual rental to \$93.5 million from \$3.5 million for each of years 2002 and 2003, as well as the portion of such amount for 2004 which had accrued through November 24, 2004, together with interest on such amounts. The remaining minimum annual rental for 2004 was paid as a monthly installment. Thereafter annual rentals, which are payable in equal monthly installments, shall be equal to the greater of the minimum annual rental (\$93.5 million, as adjusted from time to time) or 8% of the Port Authority's gross revenues from John F. Kennedy International Airport and LaGuardia Airport. Gross revenues include all revenues arising out of John F. Kennedy International Airport and LaGuardia Airport, but exclude federal grants or monies received as a result of any federal statute, regulation or policy, such as PFCs and amounts used for airport security. Beginning in 2007, and every five years thereafter, the minimum annual rental is reset to equal 10% of average gross revenues at John F. Kennedy International Airport and LaGuardia Airport over the prior five-year period, so long as such adjustment does not result in a lower minimum annual rental than was payable for the prior five-year period.

Additionally, under another agreement entered into on November 24, 2004 with the City of New York, the Port Authority agreed to provide a total of \$100 million to fund certain projects in the Borough of Queens that were identified by the City of New York and were eligible Port Authority capital expenditures, with no more than \$20 million to be provided in any single year during the five-year period commencing on January 1, 2005 and ending on December 31, 2009. On March 26, 2009, the Board of Commissioners of the Port Authority authorized an amendment of this agreement to provide for an offset of the Port Authority's obligation to fund such projects against a \$100 million portion of the New York City Economic Development Corporation's purchase obligation with respect to certain property at the Port Authority's Queens West Waterfront Development Facility (see "*Queens West Waterfront Development Facility.*")

Furthermore, under a separate agreement entered into on November 24, 2004 with the City of New York, the Port Authority agreed to include \$30 million in its capital plan for the years 2004 through 2008 to study the feasibility of extending the PATH system to Newark Liberty International Airport, and, subject to a finding by the Port Authority of feasibility from an engineering, operational and financial standpoint, to include funding for the project in such capital plan. The Port Authority also included \$60 million in its capital plan for the years 2004 through 2008 to study the feasibility of establishing direct rail service between John F. Kennedy International Airport and Lower Manhattan and, subject to a finding by the Port Authority of feasibility from an engineering, operational and financial standpoint, agreed to include funding for this project in such capital plan in an amount equal to the greater of \$500 million or the amount of funding actually provided for the PATH extension project to Newark Liberty International Airport. While certain planning activities for the extension of the PATH system to Newark Liberty International Airport are being undertaken, construction of these projects will not commence until full funding is arranged.

On January 9, 2014, the Governor of New York announced in his State of the State address that his administration would assume management responsibility for construction activities related to airport redevelopment at LaGuardia Airport and John F. Kennedy International Airport, which will continue to be facilities of the Port Authority. In October 2014, the Governor of New York launched a design competition to transform and modernize LaGuardia Airport and John F. Kennedy International Airport, and established a panel with expertise in business, planning and the local community to advise him and the Port Authority on the top airport redesigns.

## APPENDIX C

---

### *Federal Aviation Administration Congestion Management*

In an effort to deal with over scheduling and flight delays during peak hours of operation at John F. Kennedy International Airport (“JFK”), LaGuardia Airport (“LGA”) and Newark Liberty International Airport (“EWR”), the FAA has published a series of rulemaking, beginning in 2006 at LGA, and in 2008 at JFK and EWR, to establish operational caps at each airport which restrict the number of scheduled operations per hour (arrivals and departures) during peak hours. The FAA has extended the caps on scheduled operations at the airports several times through subsequent rulemaking. Most recently, the FAA issued a Notice of Extension to Order, on March 26, 2014 with respect to JFK and EWR, and on March 27, 2014 with respect to LGA, in each case maintaining the current cap on operations per hour, for certain hours, at each of the airports and extending the dates of the current orders until the final Rule on Slot Management and Transparency for LGA, JFK and EWR becomes effective, but not later than October 29, 2016. On January 8, 2015, the FAA issued a Notice of Proposed Rulemaking (with a comment period expiring on May 8, 2015) proposing the establishment of permanent operational caps at LGA, JFK and EWR restricting the number of scheduled and non-scheduled operations per hour (arrivals and departures) during peak hours and a cap on the total number of operations each day. The proposed hourly cap on scheduled operations at each airport is the same as the current hourly cap. Throughout this process, the Port Authority has repeatedly advised the FAA that, in its opinion, the best approach to address air traffic congestion and resultant delays is through increasing air space capacity, better management of existing air space capacity, and improved customer service.

On April 6, 2016, the FAA published a “Change of Newark Liberty International Airport (EWR) Designation” that changed the designation of EWR from a Level 3 slot controlled airport to a Level 2 schedule facilitated airport under the International Air Transport Association Worldwide Scheduling Guidelines. The change to a Level 2 schedule facilitated airport will be effective as of October 30, 2016 and affects the Winter 2016 scheduling season. Level 2 schedule facilitated airports do not have slot controls but instead are subject to coordinated flight scheduling managed by the FAA, with input from the airlines and the Port Authority as airport operator. Under the Level 2 designation at EWR, the FAA will request and review airline schedules for the 6 a.m. to 10:59 p.m. period and either approve the request or work with carriers to achieve schedule adjustments as needed to avoid exceeding the airport’s capacity.

### *LaGuardia Airport*

LaGuardia Airport is located at Flushing Bay in the Borough of Queens, N.Y., on the north shore of Long Island. It is approximately 650 acres in area. Opened under New York City operation in December 1939, it has been leased since June 1, 1947, together with John F. Kennedy International Airport, to the Port Authority by the City of New York. LaGuardia Airport has two 7,000-foot runways, a passenger terminal with thirty-seven aircraft gate positions, two air shuttle passenger terminals with six and eight aircraft gate positions, respectively, two individual unit airline passenger terminals with ten and twelve aircraft gate positions, respectively, five hangars, and a patron parking structure.

In the third quarter of 2014, the Governor of the State of New York created an Airport Master Plan Advisory Panel to advise the Governor and the Port Authority on the modernization of LaGuardia Airport. The Advisory Panel has made preliminary recommendations for potential future improvements at LaGuardia Airport, including an overarching vision to unify the current disparate central area terminals into a single, unified, architecturally consistent airport.

On March 24, 2016, the Board of Commissioners of the Port Authority authorized a program for the redevelopment of certain components of LaGuardia Airport in order to remedy the functional inefficiencies of LaGuardia Airport’s Terminal B and related facilities and position LaGuardia Airport to meet the needs of the 21st Century (the “LGA Redevelopment Program”) consisting of a number of elements described below. A LaGuardia Airport Capital Infrastructure Renewal Program consisting of several projects some of which have been previously authorized by the Board of Commissioners, most of

## APPENDIX C

---

which have been completed or are nearly complete, to service immediate and long-term infrastructure needs at LaGuardia Airport, including airfield improvements, roadways, a new East End substation and East End Garage. A New Terminal B, consisting of the design, finance, construction, operation and maintenance of a new Terminal B and related facilities at LaGuardia Airport, under a public-private partnership with LaGuardia Gateway Partners LLC (“LGP”), a private consortium. In addition, LGP would also design and construct certain Supporting Infrastructure on behalf of the Port Authority, including the West Garage, as well as design, construct, operate and maintain a new Central Hall located between the New Terminal B and the potential future redeveloped Terminal C. Based on prior Board of Commissioners authorizations since 2004 in the aggregate amount of \$1.01 billion and the March 24, 2016 authorizations, the Port Authority’s investment toward the LGA Redevelopment Program will be approximately \$3.5 billion, which together with private sector funding from LGP of approximately \$1.8 billion for the design and construction of the New Terminal B, will lead to a total of approximately \$5.3 billion in connection with the LGA Redevelopment Program. The Port Authority and LGP anticipate reaching financial close and lease commencement in the second quarter of 2016. The lease with LGP will grant a leasehold interest in the New Terminal B, and during construction of such facilities, the existing Terminal B, for a term through December 30, 2050, and a lease for the Central Hall, for a limited period of seven years from substantial completion of the Central Hall.

### *John F. Kennedy International Airport*

Opened on July 1, 1948, this airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. The airport consists of approximately 4,956 acres, including 880 acres in the Central Terminal Area. The Central Terminal Area contains six individual airline passenger terminals surrounded by a dual ring of peripheral taxiways. Three hangars are used to provide aircraft maintenance and storage for aircraft parts and equipment. Five patron parking structures, twenty cargo buildings to accommodate the demand for cargo space, a 475-room hotel (currently closed), and a cogeneration facility integrating an installation for the generation of electrical energy with the airport’s central heating, refrigeration plant and thermal distribution system, are also located on the airport. The four major runways now in use range in length from approximately 8,400 feet to 14,600 feet. On December 17, 2003, an automated light rail system (“JFK AirTrain”) linking the terminals in the Central Terminal Area with each other and with existing transit lines in Jamaica, Queens and Howard Beach, Queens, respectively, to provide exclusive airport access for passengers and others using the airport, became operational. A significant portion of the costs of the JFK AirTrain project have been provided through the application of PFCs. On September 24, 2015, the Board of Commissioners of the Port Authority took certain actions to authorize the Port Authority to enter into a lease agreement for the development and operation of a full-service hotel containing approximately 500 guest rooms at the site of the TWA Flight Center at John F. Kennedy International Airport with a developer selected through a request for proposals process. On November 13, 2015, the Port Authority and a developer, Flight Center LLC, executed such lease agreement, which is being held in escrow pending completion of certain environmental approvals.

### *Newark Liberty International Airport*

Newark Liberty International Airport (which, prior to September 2002, was called “Newark International Airport”) consists of approximately 2,100 acres located in the Cities of Newark and Elizabeth, N.J., was opened under City of Newark operation in October 1928, and has been leased to the Port Authority by the City of Newark since March 22, 1948, together with the Port Newark marine terminal. Newark Liberty International Airport consists of three passenger terminals and three runways, ranging in length from approximately 6,800 feet to 11,000 feet. Additionally, six hangars, ten air cargo buildings (including an express package handling and sorting facility), a flight kitchen facility, and a 590-room hotel, are located on the airport, as well as a fully automated monorail (“Newark AirTrain”) (which began service on May 31, 1996) linking the airport terminals, parking lots and rental car areas with each other and, through an extension (which became operational on October 21, 2001), with the northeast corridor rail line used by New Jersey Transit Corporation and Amtrak.

## APPENDIX C

---

On October 31, 2002, the Port Authority and the City of Newark entered into agreements pertaining to Newark Liberty International Airport and Port Newark, providing in part for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065, with a combined base rental to be paid with respect to both facilities commencing as of January 1, 2002. These agreements provide for the Port Authority to pay a combined base rental equal to (i) \$100 million in the first year, which was the 2002 calendar year, (ii) the greater of \$65 million or 8% of annual gross revenue for each of the next succeeding four years, and (iii) thereafter, 10% of the average annual gross revenue for the preceding five-year period, but for any given year, no less than the greater of 8% of the annual gross revenue for such year or the combined base rental for the previous five-year period. In addition, the agreements provide both parties with the opportunity to reopen negotiations with respect to the rental terms of the leases if, after the first 10 years of the term of the leases, the fixed base rental under the leases has not increased. Furthermore, the agreements provide for the elimination of the fund created for payments by the Port Authority for community development projects in the City of Newark and the release of the balance in such fund as of 2002 to the City of Newark. Additionally, the agreements provide for an annual supplemental rental of \$3 million to be paid by the Port Authority to the City of Newark. The agreements also provide for a marine terminal additional rental to be paid by the Port Authority to the City of Newark in the amount of \$12.5 million for the first 35 years of the term of the leases, or, alternatively, the lump sum of \$165 million. On June 2, 2004, the City of Newark elected, pursuant to the agreements, to receive such marine terminal additional rental as annual payments over the period 2002 to 2036, and designated the Housing Authority of the City of Newark as the entity to receive such payments.

Additionally, the agreements provide that amounts equal to the portion of total PFCs received by the Port Authority and attributable to Newark Liberty International Airport would be used for projects at that airport.

On January 19, 2006, in accordance with certain provisions of the October 31, 2002 agreements, the City of Newark and the Port Authority amended the lease with respect to Newark Liberty International Airport to conform its terms to certain terms of the lease relating to the New York City airports. This amendment provided for the Port Authority to make certain additional rental payments during the 2006-2010 period, in the total aggregate amount of \$400 million. In addition, the amendment provided for the Port Authority to make certain capital expenditures at Newark Liberty International Airport and/or Port Newark during the 2006-2010 period, in the total aggregate amount of \$50 million.

The Port Authority and the City of Elizabeth have also entered into service/operating agreements directly relating to the portion of the airport located in the City of Elizabeth. On May 30, 2001, the Port Authority entered into an agreement amending such service/operating agreements to provide for annual payments to the City of Elizabeth to be increased from \$1,000,000 to \$3,000,000 beginning January 1, 2001 and continuing through 2031. Additionally, on May 23, 2001, the Port Authority entered into a lease and easement agreement with the City of Elizabeth with respect to certain additional property required for airport operations, for a term expiring on May 1, 2051, subject to a renewal option for an additional 50 years, providing for the City of Elizabeth to receive an initial payment in 2001 of \$3,410,000, annual rentals of approximately \$480,000, and, for the first 10 years of the lease, at least \$800,000 annually in parking tax revenues.

On March 24, 2016, the Board of Commissioners of the Port Authority authorized a program for the redevelopment of Terminal A at Newark Liberty International Airport (“Terminal A Redevelopment Program”), at an estimated total program cost of \$2.3 billion, with a current authorized expenditure of up to \$196.3 million to implement certain critical path elements of the Terminal A Redevelopment Program. Funding for other elements of the Terminal A Redevelopment Program is subject to future authorization by the Board of Commissioners. The Terminal A Redevelopment Program includes a new approximately 1-million-square-foot, modern terminal building with 33 aircraft gates and a 3,000-space parking garage complex with convenient connections to the terminal and AirTrain.

## APPENDIX C

---

In 1978, the States of New York and New Jersey adopted legislation to authorize Port Authority participation in the development of a new interchange and roadway approach system to link the passenger terminal area of the airport with the New Jersey Turnpike and provide a major southern gateway to the Port Authority's Elizabeth and Port Newark marine terminals. Capital expenditures in connection with the project were shared by the Port Authority with the State of New Jersey and the New Jersey Turnpike Authority, with expenditures by the Port Authority not to exceed \$38,750,000 (excluding any interest during construction). The new interchange and roadway approach system opened for use in June 1982.

### *Teterboro Airport*

Teterboro Airport was acquired by the Port Authority in April 1949 and is part of the Port Authority's regional system of air terminals. It presently occupies approximately 867 acres in Bergen County, N.J. A private airport operator is responsible for the day-to-day operation of the airport, subject to direct Port Authority oversight and control, under a management/services contract with the Port Authority with a term expiring on November 30, 2015, with an option to renew.

At the present time the airport is devoted primarily to business and private aircraft operations, and currently is the location of the Aviation Hall of Fame Museum. The airport has one 6,000-foot runway, one 7,000-foot runway, an administration building and twenty hangars, twelve of them constructed since January 1, 1970. The FAA has built and put into operation an 80-foot control tower.

By letter dated March 9, 2006, the United States Environmental Protection Agency ("EPA") advised the Port Authority that the EPA deems the Port Authority to be a "Potentially Responsible Party" ("PRP") (under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA")) that may be jointly and severally liable for the EPA's clean-up costs at the Berry's Creek Study Area, Bergen County, New Jersey, spanning from its headwaters to the Hackensack River, including upland properties in the Berry's Creek Watershed. On October 10, 2007, the Port Authority joined the Berry's Creek Study Area Cooperating PRP Group Organization and Joint Defense Agreement. As a member of this group, and pursuant to a voluntary settlement agreement and order on consent with EPA entered into on May 1, 2008, the Port Authority is participating in the performance of a Remedial Investigation/Feasibility Study.

### *Stewart International Airport*

Stewart International Airport, located in the Towns of Newburgh and New Windsor, New York, consists of approximately 2,466 acres of land with one 11,818-foot runway, one 6,000-foot runway, a terminal with 8 passenger gates, 14 hangars, and a 192-acre industrial park located on the northwest side of the airport. Legislation passed by the State of New York in 1967 authorized the Port Authority to establish one additional air terminal in New York and one additional air terminal in New Jersey outside of the Port District, with the site of each such terminal to be approved by the governor of the state in which the air terminal is located. In May 2007, New Jersey enacted a statute identical in scope to the New York legislation. On October 12, 2007, the Governor of the State of New York approved Stewart International Airport as the additional air terminal in New York outside the Port District. On October 31, 2007, the Port Authority became the lessee of the airport under a lease with the State of New York, acting by and through the New York State Department of Transportation, for a term expiring on April 1, 2099. A private airport operator retained by the Port Authority is responsible for day-to-day airport operations and maintenance, subject to direct Port Authority oversight and control, under an agreement expiring on April 30, 2019.

On July 26, 2007, Stewart International Airport was certified as an additional facility of the Port Authority and the issuance of Consolidated Bonds was authorized for purposes of capital expenditures in connection with that facility.

## APPENDIX C

---

### *Atlantic City International Airport*

Atlantic City International Airport (“ACY”) is a civilian-military public use airport owned and operated by South Jersey Transportation Authority (“SJTA”), and is comprised of an approximately 5,059 acre site located across parts of Hamilton, Galloway and Egg Harbor Townships in Atlantic County, New Jersey. SJTA owns 84 acres of the site on which the civil terminal area is located. The FAA owns the remaining approximately 4,975 acres of ACY. SJTA leases approximately 2,200 acres from the William J. Hughes Technical Center (FAA Technical Center, owned and operated by the FAA), which encompasses the runways, taxiways, and other areas of the airfield. Pursuant to lease and cooperative agreements between SJTA and the FAA Technical Center, SJTA is responsible for the operation and maintenance of the runways and taxiways. ACY features two runways, one 10-gate passenger terminal, a 1,400-space (six-level) parking garage, and surface lots for short-term and economy parking. ACY also includes several hangars, two fuel farms, and structures to house the New Jersey State Police, and firefighting and maintenance equipment. A private operator is currently responsible for the day-to-day operation of the airport, subject to SJTA oversight and control. Other areas of the site are leased by the FAA Technical Center to the New Jersey Air National Guard 177<sup>th</sup> Fighter Wing, United States Coast Guard, the Transportation Security Administration Federal Air Marshal Training Center and Transportation Security Laboratory.

In 1967, New York enacted legislation authorizing the Port Authority to establish one additional air terminal in New York and one additional air terminal in New Jersey outside of the Port District, each such terminal to be at a site approved by the governor of the state in which the air terminal is located. In May 2007, New Jersey enacted a statute identical in scope to the New York legislation. On September 20, 2012, the Board of Commissioners of the Port Authority authorized the retention of consulting services to assist in a study of the feasibility of incorporating ACY into the Port Authority’s regional airport system to provide additional aviation capacity for the Port Authority. On March 18, 2013, the Governor of the State of New Jersey approved ACY as the additional air terminal in New Jersey outside the Port District. On March 20, 2013, the Board of Commissioners of the Port Authority authorized the Port Authority, subject to certification of ACY as an additional facility of the Port Authority (see “*Certification in Connection with Additional Facilities*”), to enter into an agreement with SJTA to operate and maintain ACY, with an option to purchase SJTA’s interests in ACY.

The Port Authority and SJTA entered into a management agreement (“Agreement”), effective July 1, 2013 for a term of fifteen years. Under the Agreement, the Port Authority will provide general management services to SJTA in connection with ACY, which will be provided at the direction and under the supervision of SJTA until ACY is certified as an additional facility of the Port Authority. SJTA will remain the airport sponsor and will retain its obligations under the FAA airport operating certificate. The Port Authority will be paid a fee per month for the performance of its management services. At any time during the term of the Agreement, the Port Authority will have an option to buy SJTA’s interest in ACY. Every five years, the Port Authority and SJTA will commence negotiations to amend or restate the terms and conditions of the Agreement. In addition, if airport operating revenues exceed operating costs in any year, the Port Authority may be entitled to receive additional compensation for such year, subject to the terms of the Agreement. Until such time that ACY is certified as an additional facility of the Port Authority, Port Authority employees will provide assistance to SJTA in its operations of ACY.

ACY is located within a site listed as a “Superfund” site on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, and the FAA has to date identified 35 areas of concern, most of which are located on property owned by the FAA Technical Center. Pursuant to the Agreement, the Port Authority is not responsible for SJTA’s environmental obligations in connection with the ACY site or airport operations. In addition, among other indemnification obligations under the Agreement, SJTA is to indemnify the Port Authority for any environmental liabilities from site conditions, except with regard to conditions caused solely by the Port Authority, for which the Port Authority is to indemnify SJTA.

## World Trade and Economic Development

### *The World Trade Center*

The World Trade Center was authorized in 1962 by the same bi-State legislation that authorized the Port Authority's acquisition of the Hudson Tubes. In such legislation, the Port Authority was authorized to cooperate with other agencies of government in the rehabilitation and redevelopment of the Hudson Tubes-World Trade Center areas, in part for the purpose of the renewal and improvement of such areas, as part of this port development project. On September 9, 1965, the Board of Commissioners of the Port Authority certified the World Trade Center as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

The World Trade Center, located on the lower west side of Manhattan, is comprised of approximately 16 acres, bounded generally by Church Street on the east, Liberty and Cedar Streets on the south, West Street on the west and Vesey and Barclay Streets on the north. Prior to September 11, 2001, it was best known for its "Twin Towers," One and Two World Trade Center, two 110-story buildings that rose over 1,350 feet. One World Trade Center also had a 351.5-foot mast supporting television and F.M. radio antennae for major public and private broadcasters in New York City. One and Two World Trade Center and two 9-story buildings, Four and Five World Trade Center, were net leased on July 24, 2001, to separate bankruptcy remote single purpose entities formed by Silverstein Properties, Inc. An 8-story United States Customs House (Six World Trade Center) and a 22-story hotel (Three World Trade Center) surrounded the Austin J. Tobin Plaza (the "Plaza"). Directly below the Plaza was the Concourse, consisting of a retail mall, which was also net leased on July 24, 2001, to a bankruptcy remote single purpose entity formed by an affiliate of Westfield America, Inc. ("Westfield"), and a transportation hub. A 47-story office building (Seven World Trade Center) was located north of the Plaza across Vesey Street, on a site over an electrical substation occupied by Consolidated Edison Company of New York, Inc. ("Con Edison"). The World Trade Center was destroyed in two separate terrorist attacks on September 11, 2001.

The redevelopment of the World Trade Center will provide approximately 10 million square feet of above-grade office space with associated storage, mechanical, loading, below-grade parking, and other non-office space, and consist of One World Trade Center, Tower 2, Tower 3, Tower 4, Tower 5, approximately 456,000 square feet of retail space, a World Trade Center Transportation Hub, a memorial and interpretive museum ("Memorial/Museum") and cultural facilities and certain related infrastructure.

In December 2003, as part of the redevelopment of the World Trade Center, the Port Authority acquired 100% of the membership interests in the net lessee of the retail components of the World Trade Center from Westfield for approximately \$140 million, which was renamed "WTC Retail LLC." In such capacity, the Port Authority has been involved in the planning for the restoration of the retail components of the World Trade Center. On May 16, 2012, the Port Authority and Westfield entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of certain retail space at the World Trade Center site. On March 18, 2014, the Port Authority transferred its interests in the joint venture to Westfield. As a result of the establishment of, and transfer of its interests in, the joint venture to Westfield, the Port Authority presently expects, subject to the completion of construction of the premises covered by the retail net lease, to receive payments totaling up to \$1.4 billion from Westfield. In the event that retail space is built above grade in the Tower 2 podium, Westfield would have the option to pay an additional amount to be determined at such time to add such space to its net leased retail premises. The Port Authority continues to be the landlord of the retail components of the World Trade Center site under a net lease providing for nominal annual rentals. The Port Authority also continues to be responsible for the construction of the retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for its construction.



## APPENDIX C

---

In November 2006, as part of the continuing redevelopment of the World Trade Center, the Port Authority acquired from Silverstein Properties 100% of the membership interests in 1 World Trade Center LLC, the then-net lessee of One World Trade Center and Tower 5. On June 13, 2011, the Port Authority and The Durst Organization entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of the One World Trade Center building through its current net lessee WTC Tower 1 LLC, a bankruptcy remote single purpose entity. WTC Tower 1 LLC is indirectly owned by affiliated entities of the Port Authority and The Durst Organization. 1 World Trade Center LLC continues as the net lessee of Tower 5. The other office net lessees (the “Silverstein net lessees”) are responsible for developing Tower 2, Tower 3 and Tower 4, to be located on the eastern portion of the World Trade Center site, along the Church Street corridor, comprising, in the aggregate, approximately 6.2 million square feet of office space.

One World Trade Center contains approximately 3.0 million square feet of commercial office space and an indoor observation deck. One World Trade Center, which received its certificate of temporary occupancy for the building from the Office of the Chief Engineer of the Port Authority in March 2014, is presently expected to cost approximately \$3.3 billion. As of April 1, 2016, the Port Authority has leased (i) approximately 1.97 million square feet of office space at One World Trade Center, representing approximately 65% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100<sup>th</sup> through 102<sup>nd</sup> floors of One World Trade Center for an observation deck.

A December 2010 World Trade Center Amended and Restated Master Development Agreement (“MDA”), among the Port Authority, PATH, 1 World Trade Center LLC, WTC Retail LLC, and the Silverstein net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction on the World Trade Center site, including the allocation of construction responsibilities and costs between the parties to the MDA. Under the MDA, the Silverstein net lessees are required to construct Tower 4, the Tower 3 podium and certain subgrade and foundation work required for Tower 2, as well as contribute an aggregate of \$140,000,000 toward specified common infrastructure costs. The MDA also provides for the implementation of a construction coordination and cooperation plan among the respective parties’ construction teams in order to provide for cooperation and coordination to achieve reasonable certainty of timely project completion. Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4. In February 2015, the Port Authority’s executive offices returned to the World Trade Center site, at Tower 4. As of April 1, 2016, 1.48 million square feet of space in Tower 4 has been leased, representing approximately 65% of the leasable office space. The Tower 3 podium was substantially completed to the extent required under the MDA in December 2013 by the Silverstein net lessee of Tower 3, and construction above the podium commenced in the second half of 2014.

Additionally, in December 2010, the Port Authority entered into certain agreements with the Silverstein net lessee of Tower 4, providing for the Port Authority’s participation in the financing for Tower 4. In October 2011, to address certain concerns raised by certain beneficial holders of Consolidated Bonds, the Board of Commissioners of the Port Authority supplemented prior authorizations with respect to the structure for the Port Authority’s participation in the financing for Tower 4. Under this supplemented structure, the Port Authority is a co-borrower/obligor with respect to the Liberty Bonds issued by the New York Liberty Development Corporation to finance construction and development of Tower 4, with the Port Authority’s payment of debt service on the Tower 4 Liberty Bonds (net of fixed rent paid or payable under the City of New York’s Tower 4 space lease described below) to be made solely from the sources of payment described below. Additionally, the Silverstein net lessee of Tower 4 has the right to defer its payments of net rent payable under the Tower 4 net lease and the application of the free rent periods available to the Port Authority under the Port Authority’s Tower 4 space lease (described below), to provide cash flow to pay operating expense deficits, certain capital expenditures upon completion of Tower 4, and a limited amount of construction and leasing cost overruns.

## APPENDIX C

---

The Tower 4 Liberty Bonds were issued on November 15, 2011, in the total aggregate principal amount of \$1,225,520,000. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is a special obligation of the Port Authority, evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the Tower 4 Liberty Bond trustee, payable from net revenues (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of the Tower 4 Bond Payment Agreement, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution. Payments of debt service on the Tower 4 Liberty Bonds by the Port Authority are subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is not secured by or payable from the General Reserve Fund. Additionally, the Port Authority's special obligation with respect to the payment of debt service on the Tower 4 Liberty Bonds does not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority.

The Port Authority's debt service payments on the Tower 4 Liberty Bonds, deferred net rent under the Tower 4 net lease and any unapplied amounts pertaining to the free rent periods under the Port Authority's Tower 4 space lease would be reimbursed or paid to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment of not in excess of 40 years. As security for such reimbursement or payment to the Port Authority, the Silverstein net lessee of Tower 4, the Port Authority and a third party banking institution entered into an account control agreement pursuant to which the revenues derived from the operation of Tower 4 (excluding the fixed rents paid or payable under the City of New York's Tower 4 space lease, which have been assigned by the Silverstein net lessee of Tower 4 directly to the bond trustee for the payment of a portion of the debt service on the Tower 4 Liberty Bonds) will be deposited into a segregated lockbox account, in which the Port Authority has a security interest, and will be administered and disbursed by such banking institution in accordance with such agreement. To provide additional security for such reimbursement or payment, the Silverstein net lessee of Tower 4 assigned to the Port Authority various contracts with architects, engineers and other persons in connection with the development and construction of Tower 4, together with all licenses, permits, approvals, easements and other rights of the Silverstein net lessee of Tower 4; granted a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; and assigned all Tower 4 space leases and rents (other than the City of New York's Tower 4 space lease and the fixed rents paid or payable thereunder) to the Port Authority.

Under agreements between the Port Authority and the Silverstein net lessee of Tower 3, the Silverstein net lessee of Tower 3 is required to construct the Tower 3 podium, with the construction of the office tower to follow. To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private real estate and capital markets triggers, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (the "2010 Tower 3 Tenant Support Agreement") providing for the investment of Port Authority operating funds of \$210 million for the construction of the tower and a backstop of \$390 million for certain construction and leasing overruns, senior debt service shortfalls and operating expense deficits. These triggers included the Silverstein Tower 3 net lessee raising \$300 million of private equity or mezzanine financing, pre-leasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office

## APPENDIX C

---

tower. The State of New York and the City of New York have each agreed to reimburse the Port Authority for \$200 million of the \$600 million to be provided under the 2010 Tower 3 Tenant Support Agreement for a total reimbursement of \$400 million. Under the 2010 Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 is responsible for the repayment of the \$390 million backstop on a subordinated basis, without interest, from Tower 3 revenues. All repayments of the Tower 3 backstop received by the Port Authority would in turn be distributed among the Port Authority, the State of New York and the City of New York in accordance with their respective shares of the \$390 million backstop payments. Under the 2010 Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3, the Port Authority and a third-party banking institution will enter into an account control agreement pursuant to which the revenues derived from the operation of Tower 3 will be deposited into a segregated lockbox account and will be administered and disbursed by such banking institution in accordance with the 2010 Tower 3 Tenant Support Agreement. In addition, to provide additional security for repayment to the Port Authority under the 2010 Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 agreed to assign to the Port Authority various contracts with architects, engineers and other persons in connection with the development and construction of Tower 3, together with all licenses, permits, approvals, easements and other rights of the Silverstein net lessee of Tower 3, and will grant a first priority pledge of all of the ownership interests in the Silverstein Tower 3 net lessee to the Port Authority as well as a third priority mortgage on the leasehold interest created under the Tower 3 net lease.

In December 2013, the Silverstein net lessee of Tower 3 announced that GroupM, a media investment management group, had signed a lease for approximately 516,000 square feet on nine floors at the base of Tower 3, and that with this lease Silverstein net lessee of Tower 3 would move forward to complete the financing and construction of Tower 3.

In order to maintain the World Trade Center site's redevelopment progress and continue to balance private sector development with public sector support, on June 25, 2014, the Board of Commissioners of the Port Authority authorized certain amendments to the 2010 Tower 3 Tenant Support Agreement and other agreements related to Towers 2, 3 and 4. Under the amendment to the 2010 Tower 3 Tenant Support Agreement, the Port Authority would provide the \$210 million for the construction of Tower 3 as a landlord capital improvement. Under the amendment to the 2010 Tower 3 Tenant Support Agreement, the backstop funding of \$390 million would be provided for (i) construction overruns and certain leasing cost overruns through landlord capital improvements, (ii) operating expense deficits and certain leasing cost overruns through the Tower 3 net lessee's right to defer payments of rent to the Port Authority under the net lease with respect to Tower 3, and (iii) senior debt service shortfalls, by the Port Authority as a special limited co-obligor on the senior debt issued for Tower 3, subject in each case to the overall limit of \$390 million for the backstop. As a special limited co-obligor with respect to the senior debt issued for Tower 3, the Port Authority would, subject to the overall limit on the amount of backstop payments, and only in the event that the Silverstein net lessee of Tower 3 did not have sufficient funds remaining to make such payment, pay debt service on the senior debt issued for Tower 3 from "net revenues" (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Under the amendment to the 2010 Tower 3 Tenant Support Agreement, "net revenues" would be defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution. The Port Authority's payments of debt service on the senior debt issued for Tower 3 would not be payable from the General Reserve Fund, and the payment thereof would be subject in all respects to payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General

## APPENDIX C

---

Reserve Fund Statutes. The Port Authority's obligation with respect to the payment of such debt service would not create any lien on, pledge of, or security interest in, any revenues, reserve funds or other property of the Port Authority.

Pursuant to agreements between the Port Authority and the Silverstein net lessees, the Silverstein net lessees shall apply their remaining insurance proceeds to the construction, leasing and development of Towers 3 and 4 and the payment of rent under the net leases. Additionally, the Liberty Bonds allocated to the Silverstein net lessees would be fully allocated in connection with the construction of Towers 3 and 4 with no Port Authority support contemplated for Tower 2.

In December 2010, the Port Authority, as tenant, also entered into an amended space lease with the Silverstein net lessee of Tower 4, as landlord, for approximately 600,000 square feet of office space for an initial term of 30 years, with four consecutive 5-year renewal options. In November 2014, such space lease was further amended to provide for the surrender by the Port Authority of two floors of the Port Authority's leased space at Tower 4 to the Silverstein net lessee of Tower 4. In January 2010, the Silverstein net lessee of Tower 4 exercised its option and entered into an amended space lease with the City of New York, as tenant, for approximately 580,000 square feet of office space for an initial term of 15 years, with two consecutive 10-year renewal options.

7 World Trade Company, a limited partnership including Silverstein Development Corporation (which is affiliated with Silverstein Properties) as a general partner, completed the reconstruction of Seven World Trade Center, a 52-story office building in May 2006, under a lease with the Port Authority executed in December 1980 with respect to the original Seven World Trade Center. The original Seven World Trade Center was built over an electrical substation leased by the Port Authority to Con Edison in 1968. The electrical substation was reconstructed as part of the reconstruction of Seven World Trade Center, and in May 2004, a portion of the substation became operational, with the balance of the substation to become operational as the components of the World Trade Center site are constructed.

### *The Port Authority's Downtown Restoration Program*

From time to time since December 2001, the Board of Commissioners of the Port Authority has authorized various planning activities as part of the Port Authority's Downtown Restoration Program (the "Downtown Restoration Program") pertaining to the redevelopment of the World Trade Center site, as well as certain adjacent areas, and Lower Manhattan transportation improvements. In addition, the Board of Commissioners of the Port Authority has authorized the Executive Director to enter into certain agreements with other public agencies or third parties, and to acquire certain property interests, as may be necessary to effectuate the Downtown Restoration Program.

### *The World Trade Center Transportation Hub*

Immediately following the terrorist attacks of September 11, 2001, the Governors of the States of New York and New Jersey and the Board of Commissioners of the Port Authority made rapid restoration of PATH service a priority on the Port Authority's agenda. PATH service recommenced at the Exchange Place station (which was rendered unusable as a result of the events of September 11, 2001) on June 29, 2003, and PATH service to the World Trade Center site recommenced on November 23, 2003 at the temporary PATH station at the World Trade Center site.

Effective as of August 5, 2003, the Port Authority entered into an agreement (which has been subsequently amended) with the Downtown Design Partnership (a joint venture of DMJM+Harris, Inc. and STV Incorporated, in association with Santiago Calatrava) to provide certain preliminary architectural and engineering services, with respect to the design and construction of a World Trade Center transportation hub, including the permanent PATH terminal at the World Trade Center site (the "World Trade Center Transportation Hub"). On July 28, 2005, the Board of Commissioners of the Port Authority

## APPENDIX C

---

authorized the World Trade Center Transportation Hub project. Construction of the World Trade Center Transportation Hub commenced on September 6, 2005 based on a refinement of the original design announced in January 2004 by Santiago Calatrava, and is presently expected to be substantially completed by the end of 2016. On March 3, 2016, the World Trade Center Transportation Hub Oculus and underground pedestrian connections to certain mass transit lines opened to the public. On October 18, 2012, the Board of Commissioners of the Port Authority took certain actions to reauthorize the World Trade Center Transportation Hub project from an estimated total project cost of \$3.44 billion to an estimated total project cost range of approximately \$3.74 billion to \$3.995 billion consistent with the range of cost estimates identified both in a project risk assessment performed by the Federal Transit Administration (“FTA”) and an independent assessment conducted by Navigant Consulting, Inc. as part of its comprehensive review and assessment of the Port Authority (see “*Navigant/Rothschild 2012 Reports on the Port Authority*”), authorize an additional approximate \$95 million for financial expense in connection with the project, and ratify an agreement with the FTA to increase federal funding from \$1.921 billion to a maximum of \$2.872 billion for the project.

### *World Trade Center Infrastructure Projects*

In addition to the World Trade Center Transportation Hub, the Port Authority continues to advance planning and design for various infrastructure projects toward full buildout of the World Trade Center site, including streets and utilities, a central chiller plant, and electrical infrastructure that will support the operations of the World Trade Center site. A vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities is operational to support the commercial development throughout the World Trade Center site at a cost of approximately \$670 million. A portion of the vehicular security center is being constructed in the subgrade area of the southern parcels of the World Trade Center site and extends into 155 Cedar Street, the location of the former Hellenic Eastern Orthodox Church of Saint Nicholas (“Saint Nicholas Church”), which was destroyed in the attacks of September 11, 2001. On February 14, 2011, the Hellenic Eastern Orthodox Church of Saint Nicholas and the Greek Orthodox Archdiocese of America (collectively, the “Church”) instituted an action in the United States District Court for the Southern District of New York against the Port Authority and certain other defendants claiming that the defendants violated their constitutional, contractual and property rights by taking the site where Saint Nicholas Church formerly stood and refusing to allow the plaintiffs to rebuild Saint Nicholas Church in another part of the World Trade Center site’s southern parcels, seeking various forms of relief, including monetary damages. On October 20, 2011, the Board of Commissioners of the Port Authority authorized various agreements with respect to the Port Authority’s acquisition of the 155 Cedar Street location from the Church and the Church’s acquisition of a portion of 130 Liberty Street, at the east end of the planned Liberty Park, for the location of Saint Nicholas Church. These agreements will also completely resolve the above-described litigation which was discontinued, without prejudice, by the Church. The Port Authority, as part of the construction of the vehicular security center, will be responsible for construction of certain below grade infrastructure required for the Church to construct its building at the 130 Liberty Street location. On October 18, 2012, the Port Authority and the Church entered into a project development agreement for the design and construction of the below grade infrastructure required for the Church to construct its building at the 130 Liberty Street location; construction commenced in August 2015.

### *The Memorial at the World Trade Center Site*

While the setting and context for a memorial at the World Trade Center site were defined by the design concept of Studio Daniel Libeskind, entitled “Memory Foundations,” on January 6, 2004, the Lower Manhattan Development Corporation (“LMDC”) announced the selection, by a 13 member jury convened to conduct LMDC’s international memorial competition, of a design concept, entitled “Reflecting Absence,” for the memorial. On January 14, 2004, a refined design concept for the memorial was announced. On June 2, 2004, LMDC adopted a World Trade Center Memorial and Cultural Program General Project Plan, pertaining to planning for and construction of memorial-related improvements and

## APPENDIX C

---

cultural uses at the World Trade Center site, in cooperation with the Port Authority and the United States Department of Housing and Urban Development (“HUD”). On October 12, 2004, LMDC announced the selection of Gehry Partners LLP as the architect for a performing arts complex, and Snøhetta as architect for the museum complex.

As part of the continuing effectuation of the memorial, on July 6, 2006, the Board of Commissioners of the Port Authority authorized the Port Authority to enter into an agreement with the LMDC, the National September 11 Memorial and Museum at the World Trade Center (“Memorial Foundation”), the City of New York and the State of New York for the construction by the Port Authority of the World Trade Center memorial and cultural project. The July 6, 2006 agreement established the general areas of responsibility of the several parties for the design, development, construction, financing and operation of the project, which included the Memorial/Museum, the Visitor Orientation and Education Center (“VOEC”), and the common and exclusive infrastructure related thereto (“Infrastructure”). Under the agreement, the Port Authority was responsible for the construction of the project, in accordance with the project’s final design plans. The Memorial Foundation was responsible for the development, finalization, presentation and integrity of the design for the Memorial/Museum and the VOEC. The World Trade Center Memorial Plaza was substantially completed and opened for public access on September 11, 2011. The Museum and VOEC were substantially completed on May 14, 2014, and opened to the public on May 21, 2014.

Under the July 6, 2006 agreement, the Memorial Foundation was responsible through its fund-raising efforts to provide \$280 million and LMDC was responsible for providing \$250 million for the Memorial/Museum; the State of New York was responsible for providing \$80 million for the VOEC and the Port Authority was responsible for providing up to \$150 million for the Infrastructure. Additionally, in the event that, as a result of unforeseen events or unavoidable costs related solely to the construction of the Memorial/Museum and/or VOEC, the costs of the Memorial/Museum and/or VOEC exceed the budgets therefor as approved by the Port Authority, if, after a value engineering exercise, additional construction funding is required, the Port Authority was responsible for up to an additional \$25 million, and to the extent that such amount was not sufficient to complete the Memorial/Museum and/or VOEC, then up to an additional \$40 million would be provided, with each of LMDC and the Port Authority on a pro rata basis responsible for providing funding in the amount of \$20 million, and to the extent that such amount was not sufficient to complete the Memorial/Museum and/or VOEC, then LMDC was responsible for providing up to an additional \$25 million to complete the Memorial/Museum and/or VOEC. In the event that upon completion of the Memorial/Museum and VOEC, the full funding committed by the Port Authority and/or LMDC had not been expended, then the remaining amount of such committed funds would be applied to reimburse the Port Authority for any required construction funding for the Infrastructure in excess of the budget therefor approved by the Port Authority.

On October 19, 2012, the Port Authority and the Memorial Foundation, in furtherance of a September 10, 2012 announcement by the Governors of the States of New York and New Jersey and the Mayor of New York City and certain actions taken by the Board of Commissioners of the Port Authority on September 20, 2012, entered into an agreement resolving certain issues pertaining to the continuing construction of the museum portion of the Memorial/Museum, providing for, among other matters, enhanced transparency of Memorial Foundation financial matters, increased site-wide coordination, protocols for the coordination of major events, the creation of an advisory committee to include members designated by the Governors of the States of New York and New Jersey, a clarification of the financial commitments of the Port Authority and the Memorial Foundation, including additional funding commitments, and an allocation of the responsibility for costs resulting from any design changes to the party initiating such change, and a reduction of anticipated overtime costs. The “additional construction funding commitments” of the Port Authority and the LMDC under the July 6, 2006 agreement (described above) was restructured to provide that, to the extent required, the LMDC would pay the next \$45 million of any such additional construction funding and that the Port Authority’s total responsibility for any such additional construction funding would be reduced to \$38 million and be triggered after the expenditure of the LMDC’s \$45 million commitment. The Memorial Foundation and the Port Authority would each

## APPENDIX C

---

contribute additional amounts to ensure completion of the Memorial/Museum based on a revised construction budget, which is now estimated by the Memorial Foundation at approximately \$718 million, excluding the \$150 million of Infrastructure costs. The agreement provided for the release of other disputed cost claims by both parties. In addition, the agreement provided for the Port Authority and the Memorial Foundation to work cooperatively to obtain federal funding to subsidize the Memorial/Museum's costs of operations and help ensure long-term financial sustainability.

### *Certain Liability Actions Related to the Events of September 11, 2001*

On September 22, 2001, the President of the United States signed the Air Transportation Safety and System Stabilization Act, which established a compensation program for victims of the September 11, 2001 terrorist attacks and limited air carrier liability for compensatory or punitive damages claimed as a result of the terrorist-related aircraft crashes of September 11, 2001 to the limits of liability coverage maintained by each air carrier. In addition, the Air Transportation Safety and System Stabilization Act created a federal cause of action for damages arising out of the hijacking and subsequent crashes of aircraft on September 11, 2001, and vested original and exclusive jurisdiction over all actions brought for claims resulting from or relating to the terrorist-related aircraft crashes of September 11, 2001 in the United States District Court for the Southern District of New York.

The Aviation and Transportation Security Act, which was signed by the President of the United States on November 19, 2001, amended the Air Transportation Safety and System Stabilization Act to provide that any liability for claims arising from the September 11, 2001 terrorist attacks, against persons with a property interest in the World Trade Center, whether for compensatory damages, punitive damages, contribution or indemnity, is limited to the amount of liability insurance maintained by that person. This limitation does not apply if any such person with a property interest in the World Trade Center is determined to have defaulted willfully on a contractual obligation to rebuild, or assist in the rebuilding of, the World Trade Center.

Under the provisions of the Air Transportation Safety and System Stabilization Act, as amended, the Port Authority's liability for claims arising from the terrorist attacks of September 11, 2001 was limited, generally, to the amount of the Port Authority's applicable public liability insurance coverage. The one remaining action against the Port Authority, alleging property damage, arising from the events of September 11, 2001 has been dismissed, and the plaintiffs have requested review by the United States Supreme Court.

### *Certain Litigation Arising From the Terrorist Bombing of February 26, 1993 at the World Trade Center*

On February 26, 1993, various building systems at the World Trade Center were damaged as a result of a terrorist bomb, which was detonated in a truck in the parking garage levels at the World Trade Center. Various actions, seeking damages related to the bombing, were brought in the Supreme Court of the State of New York, County of New York, against the Port Authority.

On October 26, 2005, the first phase of the 1993 bombing trial concluded with a jury finding that the Port Authority was negligent in not maintaining the World Trade Center's parking garage in a reasonably safe condition on February 26, 1993; that the Port Authority's negligence was a substantial factor in "permitting" the February 26, 1993 bombing to occur, and that the February 26, 1993 bombing was 68% the fault of the Port Authority and 32% the fault of the terrorist bombers, which effectively is equivalent to a finding that the Port Authority is fully liable for the terrorist bombing. On March 2, 2007, the Court denied the Port Authority's post-trial motions in effect seeking to set aside the jury verdict, and on April 29, 2008, the Appellate Division, First Department of the Supreme Court of the State of New York affirmed such denial. On September 22, 2011, the New York Court of Appeals reversed the Appellate Division's decision, ruling that the Port Authority was performing a governmental function in its provision of security at the World Trade Center, that the Port Authority exercised reasoned discretion in its security

## APPENDIX C

---

decision-making, that it is entitled to the protection of governmental immunity, and that it is therefore insulated from tortious liability in connection with the 1993 bombing of the World Trade Center. On March 24, 2016, the Court of Appeals dismissed the Port Authority's appeal in the only remaining personal injury case which remained pending against the Port Authority, and on April 7, 2016, the Port Authority satisfied the judgment in the amount of \$11,611,177.91, which includes attorneys' fees.

### *Newark Legal and Communications Center*

The development and construction of a legal and communications center and its related infrastructure in Newark, N.J., adjacent to Pennsylvania Station and the PATH terminus was undertaken by the Port Authority, in cooperation with other agencies of government, as part of the port development project authorized by bi-State legislation in 1962. Such legislation provides for the Port Authority to undertake all or any portion of the port development project directly or through a wholly owned subsidiary corporation. Accordingly, the Newark Legal and Communications Center Urban Renewal Corporation ("NLCCURC") was formed in 1988 by the Port Authority to effectuate this project and was responsible for the construction of an office building with approximately 360,000 net usable square feet and its related infrastructure (the "Newark Legal and Communications Center"). Additionally, a parking garage and pedestrian walkway were constructed as part of the project with the proceeds of a federal grant obtained by the City of Newark.

On December 21, 2001, the NLCCURC entered into a net lease with respect to the Newark Legal and Communications Center with Matrix One Riverfront Plaza LLC ("Matrix"). The net lease is for a term of 50 years, with four 10-year renewal options and one 8-year 11-month 28-day renewal option. During the term of the net lease, the net lessee will pay to the NLCCURC, in addition to a \$36 million payment made upon the commencement of the net lease, (i) base rent, the amount of which is graduated upward in 5-year bands over the term of the net lease, starting at approximately \$1.58 million annually, and (ii) the amount, if any, by which 10% of the net operating income, as defined in the net lease, for such year exceeds the base rent payable in such year. On December 4, 2013, after determining that the Newark Legal and Communications Center was no longer required for the purposes for which it was acquired, the Board of Directors of the NLCCURC authorized the President of the NLCCURC to enter into an agreement providing for the phased transfer of the NLCCURC's interests in the Newark Legal and Communications Center to Matrix Affiliate, LLC ("MAL"), an affiliate of Matrix, in exchange for a total aggregate payment of approximately \$42 million, subject to certain adjustments.

The Commissioners of the Port Authority serve as the Directors of the NLCCURC, and Patrick J. Foye is its President.

On October 11, 1984, the Board of Commissioners of the Port Authority certified the Newark Legal and Communications Center as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### **Marine Terminals**

The Port Authority owns or operates six marine terminal facilities to serve the Port District. The Port Authority's revenues from the marine terminal facilities come primarily from fixed lease agreements, and are therefore somewhat insulated from fluctuations in activity levels at these facilities.

### *Port Newark*

Port Newark is a waterfront terminal development located on Newark Bay on approximately 930 acres adjacent to Newark Liberty International Airport. The marine terminal includes wharves, approximately 23,600 lineal feet of deep water ship berths, nine container cranes, transit sheds, open storage areas, buildings, roadways and railroad trackage.



## APPENDIX C

---

The marine terminal was first developed by the City of Newark and, together with Newark Liberty International Airport, it has been leased by the City to the Port Authority since March 22, 1948. An adjacent former United States Naval Industrial Reserve Shipyard was acquired by the Port Authority in 1963 and included in the leasehold, as required. The Port Authority has also developed the south side of Port Newark along a new channel which adjoins the Elizabeth-Port Authority Marine Terminal.

On October 31, 2002, the Port Authority and the City of Newark entered into agreements pertaining to Newark Liberty International Airport and Port Newark, providing in part for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065, with a combined base rental to be paid with respect to both facilities commencing as of January 1, 2002. Such agreements are described at “*Newark Liberty International Airport.*”

### *Elizabeth-Port Authority Marine Terminal*

In 1958, the Port Authority undertook the development of an entirely new marine terminal presently occupying approximately 1,257 acres on Newark Bay in Elizabeth, N.J. The south side of Port Newark and the Elizabeth-Port Authority Marine Terminal jointly are served by a channel along the boundary between the two facilities. This channel, first dredged in 1963-1964 at a cost of approximately \$4,500,000, is approximately 9,000 feet long and 800 feet wide. There are 38 container cranes serving fully equipped container-ship berths consisting of 16,934 lineal feet of wharf situated on Elizabeth Channel and Newark Bay with a mean low water depth of 35 to 50 feet, which provide modern, efficient facilities for steamship lines and export-import shippers. Within the terminal are 4 cargo distribution buildings with approximately 1.2 million square feet of space, and approximately 15 ancillary and miscellaneous service structures. The terminal is served by CSX Transportation Inc. and Norfolk Southern Railway Company which offer ship-to-rail transfer at the 70-acre ExpressRail terminal.

A foreign trade zone (Foreign Trade Zone 49) has been established by the United States Department of Commerce and presently includes, in addition to other sites and sub-zones in New Jersey, all of the Port Newark/Elizabeth-Port Authority Marine Terminal complex, the Port Authority Industrial Park at Elizabeth and the Port Jersey-Port Authority Marine Terminal.

### *Greenville Yard-Port Authority Marine Terminal*

The Greenville Yard-Port Authority Marine Terminal is located in Jersey City, N.J., adjacent to the Port Jersey-Port Authority Marine Terminal. The facility currently occupies approximately 32 acres of land and pier area, in addition to riparian land. Approximately 5 acres of this facility is occupied by a single private tenant using this facility for the storage of barges and dredging equipment. The remaining 27 acres, along with certain riparian rights, are leased by New York New Jersey Rail, LLC (see “*New York New Jersey Rail, LLC*”) from the Consolidated Rail Corporation for cross harbor rail freight operations. On September 17, 2014, the Board of Commissioners of the Port Authority authorized a program to provide for the redevelopment of the Greenville Yard-Port Authority Marine Terminal into a modern, multi-modal freight rail terminal, at a total estimated cost of \$356 million, with approximately \$320 million of such costs to be provided by the Port Authority and approximately \$36 million of such costs to be provided by the Consolidated Rail Corporation and Global Terminal and Container Services, LLC (“Global”).

On October 11, 1984, the Board of Commissioners of the Port Authority certified the Greenville Yard-Port Authority Marine Terminal as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

## APPENDIX C

---

### *Port Jersey-Port Authority Marine Terminal*

The Port Jersey-Port Authority Marine Terminal, formerly the Port Authority Auto Marine Terminal, located on 388 acres (including the acreage described below that was acquired, respectively, in June 2010 and August 2010) on the Port Jersey Channel in Bayonne and Jersey City, N.J., was originally developed by the Port Authority as a marine terminal facility for unloading and preparation of imported automobiles and other vehicles. Construction of this facility commenced in September 1987 and the facility became fully operational in early 1990. The name of this facility was changed in June 2010 to reflect its ongoing development for broad based marine terminal uses including in connection with container cargo operations.

On June 23, 2010, the Port Authority acquired approximately 100 acres of property from Global, which was contiguous to the original facility and has been incorporated into the expanded facility, and entered into a 37-year lease with Global which, among other things, provides up to \$150,000,000 to Global for certain terminal capital improvements, and up to \$7,500,000 to Global for the permitting, mitigation and development of a 4.5 acres wetlands area within the leased property.

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former Military Ocean Terminal at Bayonne from the Bayonne Local Redevelopment Authority for \$235,000,000. This property which is comprised of three parcels on the southern side of the peninsula was incorporated into the facility and will be developed for future marine terminal purposes.

On December 11, 1986, the Board of Commissioners of the Port Authority certified the Port Authority Auto Marine Terminal as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Brooklyn-Port Authority Marine Terminal*

In 1956, the Port Authority purchased certain Brooklyn, N.Y. waterfront properties and uplands, principally from the New York Dock Company, for approximately \$14,300,000. These properties, as well as certain adjacent properties subsequently added to this facility under various agreements, were operated as the Brooklyn-Port Authority Marine Terminal. The facility currently extends from Pier 7 at Atlantic Avenue to Pier 12 and includes the Atlantic Basin and fronts on the 40-foot-deep Buttermilk and East River Channels, and together with the Red Hook Container Terminal described below, includes approximately 110 acres, of which approximately 23 acres is pier shed space. Piers 11 and 12 are leased by the Port Authority to the New York City Economic Development Corporation (“NYCEDC”) for a term expiring on December 31, 2029, with the Port Authority and NYCEDC having certain options to extend the lease through 2058. The cruise ship terminal located at Pier 12 was operated by the Port Authority under a separate contract with NYCEDC, which expired in December 2012. NYCEDC has subleased Pier 11 to a beverage distributor for its warehousing and distribution activities.

The Port Authority entered into an agreement with the City of New York and the State of New York as of December 18, 1979, for construction and operation of a 40-acre container terminal comprised of a portion of the existing Brooklyn-Port Authority Marine Terminal and approximately 10 acres of land adjacent to the facility to be acquired and cleared by the City of New York. The City of New York and State of New York paid the entire initial construction costs of the project known as the Red Hook Container Terminal and the Port Authority is operating the Terminal under a 50-year agreement. Expansion by the Port Authority of the Red Hook Container Terminal to include utilization of a 20-acre portion of the Brooklyn-Port Authority Marine Terminal including Piers 9A and 9B and related upland area as well as approximately 10 additional acres provided by the City of New York was completed in August 1986. The construction of a berth extension and the performance of certain terminal improvements at the Red Hook Container Terminal, including the transfer of a container crane to the terminal from the City of New York’s South Brooklyn Marine Terminal, at a cost of approximately \$11,600,000 has been allocated against

## APPENDIX C

---

moneys made available through the Regional Economic Development Program. A terminal operator manages, operates and maintains approximately 66 acres at the Red Hook Container Terminal and approximately 30 acres at Port Newark, which support the operation of the Red Hook Container Terminal, on behalf of the Port Authority pursuant to an operating agreement expiring September 30, 2018, subject to certain termination rights of each party effective on October 1, 2015.

Under the terms of the December 1979 agreement, provision was made for an annual payment of \$400,000 to the Port Authority after payment of annual operating expenses and a \$100,000 annual payment to the City of New York. Under a supplemental agreement, effective in September 1986, relating to the 10 additional acres provided by the City of New York, the payment provisions of the initial agreement were revised to provide that effective upon completion of construction, net revenues after payment of annual operating expenses are to be shared equally by the Port Authority and the City of New York.

### *Howland Hook Marine Terminal*

The Howland Hook Marine Terminal, in Staten Island, N.Y., is leased to the Port Authority by the City of New York for a term expiring in 2058. This facility presently occupies 311 acres, 124 of which were acquired by the Port Authority on December 28, 2000 at a cost of \$47,000,000 (the “124 acre parcel”). Effective June 30, 1995, the Port Authority and a marine terminal operator entered into a lease for the original 187 acres at this facility for a term expiring on December 31, 2019. Such lease was amended as of January 1, 2013 to, among other things, (i) extend the term of the lease through December 31, 2029, and (ii) provide certain credits, allowances and reimbursements to the marine terminal operator, including a credit for each drayage related movement handled at the Howland Hook Marine Terminal that transits Port Authority Staten Island crossings.

On March 20, 2003, the Board of Commissioners of the Port Authority authorized certain actions in connection with the effectuation of the provision of rail freight services to the Howland Hook Marine Terminal, including the development with the New York City Economic Development Corporation of arrangements for the joint selection of a rail operator and sharing of capital costs for the rehabilitation of certain components necessary to provide such rail freight services. Effective as of June 11, 2004, the Port Authority entered into an agreement with the New York City Economic Development Corporation to provide funding, in the amount of approximately \$32 million, for the construction of certain rail facilities necessary to provide for the restoration of rail service to the Howland Hook Marine Terminal. Rail service recently commenced between this facility and the national rail system through interchanges constructed by the Port Authority at the Chemical Coast rail freight line in the vicinity of Elizabeth, N.J. (“ExpressRail Staten Island”). The ExpressRail Staten Island facility is located on the 124 acre parcel, and is currently operated by the marine terminal operator under an agreement that expires on December 31, 2029.

As part of the effectuation of such rail freight services, effective August 1, 2003, the Port Authority and the New Jersey Department of Transportation entered into an agreement providing for the Port Authority to lease (for a term of 50 years with one 49-year 11-month renewal option) certain parcels of railroad property located in Union County, N.J., with the Port Authority to assume certain maintenance obligations for the leased trackage during the term of the lease.

Additionally, on September 9, 2003, the Port Authority, the New York and New Jersey Railroad Corporation (see “*New York and New Jersey Railroad Corporation*”) and the City of Elizabeth entered into certain agreements, which provided, among other items, for the Port Authority to reimburse the City of Elizabeth for up to \$15 million of its costs related to the design and construction of a stand-by emergency response facility in the City of Elizabeth, and for the Port Authority to make certain payments-in-lieu-of-taxes to the City of Elizabeth for property in Elizabeth, N.J., which was acquired in September 2002, at an aggregate cost of approximately \$3.3 million, by the Port Authority, in order to facilitate the construction of the Chemical Coast rail freight line interchanges.

## APPENDIX C

---

On June 13, 1985, the Board of Commissioners of the Port Authority certified the Howland Hook Marine Terminal as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility, subject to certain conditions which have been satisfied.

### **Waterfront Development**

Pursuant to legislation enacted in 1984 by the States of New York and New Jersey, the Port Authority is authorized to participate, in conjunction with affected municipalities, in effectuating certain mixed-use waterfront development projects in each of the States, initially, at a legislatively designated site in the City of Hoboken, New Jersey, and a legislatively designated site in the Hunters Point section of Long Island City in the Borough of Queens in New York City. The Port Authority may undertake such mixed-use waterfront development projects, including site preparation and other work necessary for the effectuation of the overall development program and to facilitate private sector investment in connection therewith, consistent with agreements with the holders of Consolidated Bonds, including those pertaining to the financing of additional facilities.

#### *Hoboken South Waterfront Development Facility*

On August 16, 1995, following the conclusion of approximately six years of proceedings in the courts of the State of New Jersey challenging the City of Hoboken's participation in the Hoboken South waterfront development project, the Port Authority and the City of Hoboken entered into a municipal development agreement with respect to the development of a mixed-use waterfront development project at the legislatively designated site in the City of Hoboken, which includes the former Hoboken-Port Authority Marine Terminal and certain adjacent areas. On November 30, 2000, the Board of Commissioners of the Port Authority authorized an increase of \$24,000,000 in the Port Authority's commitments with respect to this facility, bringing the Port Authority's total commitment to \$128,000,000 for this facility.

On September 25, 1997, the Board of Commissioners of the Port Authority certified this project as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

#### *Queens West Waterfront Development Facility*

Effective October 7, 1992, the Port Authority, the Empire State Development Corporation ("ESDC"), the City of New York, and the NYCEDC entered into a municipal agreement with respect to the development of a mixed-use waterfront development project at the legislatively designated Hunters Point site (the "Municipal Agreement"). On November 30, 2000, the Board of Commissioners of the Port Authority authorized an increase of \$65,000,000 in the Port Authority's commitments with respect to this facility, bringing the Port Authority's total commitment to \$190,000,000 for this facility.

On October 19, 2006, the Board of Commissioners of the Port Authority authorized the sale to the City of New York, or a local development corporation designated by the City, of approximately 24 acres of Port Authority-owned property in the southern portion of the Queens West Waterfront Development site, after determining that this property was no longer required for the purposes for which it was acquired. The Port Authority and the NYCEDC entered into a Contract of Sale dated December 12, 2007, providing for the sale of this property for a purchase price equal to \$100 million plus the amounts spent by the Port Authority with respect to the property between October 19, 2006 and the closing of the sale. On March 26, 2009, the Board of Commissioners of the Port Authority authorized the amendment of the Contract of Sale to provide for the offset of a \$100 million portion of the purchase price for this property against the Port Authority's commitment to fund certain projects in the Borough of Queens (see "*Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters*"). On May 20,

## APPENDIX C

---

2009, this property was sold to NYCEDC as assignee of the City, the ESDC's General Project Plan was amended to reflect the severance of this property from the Queens West Waterfront Development site, the Municipal Agreement was terminated and the Port Authority and the ESDC entered into a new agreement with respect to the development of the Queens West project.

On September 25, 1997, the Board of Commissioners of the Port Authority certified this project as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### **Railroad Freight**

#### *Oak Point Rail Freight Link*

The Oak Point Rail Freight Link, authorized by the Port Authority in December 1980, pursuant to legislation adopted by the States of New York and New Jersey, is located between High Bridge and Oak Point in the Bronx, N.Y. This facility forms a key element of the State of New York's planned full clearance program for railroad freight lines extending from Selkirk Yard near Albany to the Oak Point Yard in the Bronx, N.Y., and from there over the Hell Gate Bridge, and eventually on the Bay Ridge line to the Brooklyn waterfront, and also on the Long Island Rail Road Company main line to Hicksville, in Nassau County.

The Port Authority has participated with the New York State Department of Transportation in this program, with approximately \$62,900,000 of capital costs allocated against moneys made available through the Regional Development Facility and the Regional Economic Development Program.

On April 29, 1981, the Board of Commissioners of the Port Authority certified the Oak Point Rail Freight Link, from which the Port Authority does not expect to derive any revenues, as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

#### *New York and New Jersey Railroad Corporation*

On April 30, 1998, the New York and New Jersey Railroad Corporation was established as a wholly owned entity of the Port Authority to effectuate rail freight projects, including rail freight access to marine terminal facilities. Rail freight services are provided between the Howland Hook Marine Terminal in Staten Island, N.Y., and the national rail system through interchanges that were constructed by the Port Authority at Conrail's Chemical Coast rail freight line in the vicinity of Elizabeth, N.J. (See "*Howland Hook Marine Terminal*.") The Commissioners of the Port Authority serve as the Directors of the New York and New Jersey Railroad Corporation, and Patrick J. Foye is its President.

#### *New York New Jersey Rail, LLC*

On September 18, 2008, the Port Authority acquired from Mid-Atlantic New England Rail, LLC 100% of the membership interests in New York New Jersey Rail, LLC ("NYNJ Rail"). NYNJ Rail is part of the National Railroad System and holds a Surface Transportation Board Certificate of Convenience and Necessity for the movement of freight by rail and rail barge across New York Harbor, by means of float bridges located at Greenville Yard, Jersey City, N.J. and Bush Terminal in Brooklyn, N.Y. NYNJ Rail operates the only rail car float in the New York Harbor, providing a link for the movement of freight in and out of the New York City market. NYNJ Rail also currently leases approximately 27 acres of the Consolidated Rail Corporation's property in Jersey City, New Jersey, which is now a part of the Greenville Yard — Port Authority Marine Terminal and which functions as an interchange facility for freight to and from the National Railroad System.

## APPENDIX C

---

On December 29, 2010, NYNJ Rail acquired certain assets of the Port Jersey Railroad Company, a New Jersey corporation (“PJRC”), including (among other things) approximately 6 acres of land in Jersey City, New Jersey; all of PJRC’s interests in certain railroad easements; the railroad tracks and switches located on such land and such easements; and the right (subject to appropriate governmental approvals) to operate a short-line railroad over such tracks, servicing several warehouses in an area adjacent to the Port Jersey-Port Authority Marine Terminal and the Greenville Yard-Port Authority Marine Terminal. The acquisition of such assets will facilitate the movement of shipping containers between the Port Jersey-Port Authority Marine Terminal and the Greenville Yard-Port Authority Marine Terminal.

### *Regional Rail Freight Program*

On July 26, 2001, the Board of Commissioners of the Port Authority authorized the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional freight projects to provide for increased rail freight capacity, and to enter into agreements providing for the Port Authority to provide up to \$50 million of the costs of such regional rail freight projects (with \$25 million allocated to projects in each of the States of New York and New Jersey).

On November 21, 2002, the Board of Commissioners of the Port Authority certified the Regional Rail Freight Program, from which the Port Authority does not expect to derive any revenues, as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### **Industrial Development**

In 1978, in recognition of the loss of manufacturing jobs and plants in the Port District and its serious negative impact on the regional economy, the Port Authority was authorized by the States of New York and New Jersey to undertake a program of industrial development, including the construction and operation of industrial parks in the inner cities of the Port District. Pursuant to the legislation and following studies and detailed discussions with affected municipalities and community groups, in 1979 the Port Authority adopted a master plan identifying certain potential industrial development sites in each State. Such master plan has been amended from time to time to specify certain additional sites.

In March 1981, the Board of Commissioners of the Port Authority authorized three initial industrial development projects, to be located in Elizabeth, N.J., in the Howland Hook section of Staten Island, N.Y., and in the Bathgate section of the Bronx, N.Y. The Board also authorized, from funds legally available therefor, an amount not in excess of \$10,000,000 to be allocated to Port Authority industrial and economic development projects on the basis of \$5,000,000 to projects in each State, with this amount to be supplemented on the basis of net revenues of Port Authority industrial development projects in each State. The site in the Howland Hook section of Staten Island is presently part of the Howland Hook Marine Terminal.

The development by the Port Authority of specific industrial development projects requires appropriate authorizations and certifications by the Board of Commissioners of the Port Authority.

### *Bathgate Industrial Park*

Agreements for effectuating the Bathgate Industrial Park in the Bronx, N.Y., were authorized by the Board of Commissioners of the Port Authority in March 1981. On October 22, 1981, the Board of Estimate of the City of New York approved an agreement among the Port Authority, the City of New York and the New York City Public Development Corporation (“PDC”) (now known as the “New York City Economic Development Corporation” (“NYCEDC”)), for the development of the project on land owned by PDC. A portion of the Port Authority’s capital costs with respect to this facility have been reimbursed by PDC.

## APPENDIX C

---

The agreement between the Port Authority, the City and PDC was executed on February 22, 1982, and extends until October 19, 2020, with an option by the Port Authority to renew under the same terms for an additional 10-year period. The agreement provides for the Port Authority to lease up to seven blocks of the initial eight-block portion of the project from PDC, with the Port Authority to pay an annual land rental based on a percentage of the assessed value of each block and to construct manufacturing buildings for sale or lease, paying 50 percent of the net annual revenues to PDC.

The initial eight-block portion of the project presently includes eight buildings. These buildings, constructed between 1983 and 2000, are leased to various tenants involved in light manufacturing, distribution and institutional use under leases expiring generally in or before 2020. An office and support center has been constructed on a one-block portion of an additional four-block site.

On March 24, 2016, the Board of Commissioners of the Port Authority authorized certain agreements between the Port Authority and the City of New York, the NYCEDC and a buyer, National Resources (“NRE”), as necessary or appropriate to effectuate the sale and assignment of the Port Authority’s lease of the Bathgate Industrial Park with NYCEDC (“Master Lease”) to NRE, including an agreement for consent to assignment with NYCEDC. Pursuant to the transaction, NRE would pay the Port Authority an estimated \$16.5 million to purchase the leasehold, subject to certain closing adjustments.

On October 28, 1981, the Board of Commissioners of the Port Authority certified the Bathgate Industrial Park as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Port Authority Industrial Park at Elizabeth*

The Port Authority Industrial Park at Elizabeth consists of a 12-acre site (which is a former landfill) in the City of Elizabeth, N.J., located at the southern end of the Port Newark/Elizabeth-Port Authority Marine Terminal complex. On May 25, 2000, the Board of Commissioners of the Port Authority determined that the real property constituting this facility was no longer required for the purposes for which it was acquired, and authorized its sale to a private entity.

On June 14, 1984, the Board of Commissioners of the Port Authority certified the Elizabeth Industrial Park as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Newark South Ward Industrial Park*

On July 7, 1987, the Port Authority entered into an agreement with the City of Newark with respect to the development of the Newark South Ward Industrial Park, an industrial park located in the South Ward section of Newark, N.J. Pursuant to this agreement, as amended, the Port Authority has participated with the City of Newark in the development of this facility by providing approximately \$3.5 million of its capital costs, which has been allocated against moneys made available pursuant to the Governors’ Program of June 1983 related to a Bank for Regional Development, the World Trade Center and Industrial Development.

On May 14, 1987, the Board of Commissioners of the Port Authority certified the Newark South Ward Industrial Park, from which the Port Authority does not expect to derive any revenues, as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

*Teleport*

The Teleport, originally designed and operated as a regional satellite communications center, is located in a portion of New York City's Staten Island Industrial Park and was leased to the Port Authority by the City of New York in June 1984 for a term ending in May 2024. The Teleport has evolved over the years from a primarily exclusive data center environment to that of a mixed-use industrial park, consisting of data centers and support operations, commercial office space, and educational facilities. The Teleport's fiber optic network was specifically designed for office space at the Teleport, and includes a link to the World Trade Center site.

On February 18, 2016, the Board of Commissioners of the Port Authority authorized the amendment of the Port Authority's lease with the City of New York to provide for the surrender of an approximately nine acre portion of the 100 acre leasehold, for the purpose of a sale to a developer, and an agreement with the NYCEDC to divide the \$3.6 million proceeds of the sale evenly between the Port Authority and the NYCEDC. The lease amendment and sale is contingent upon, and will take place after, a successful Uniform Land Use Review Procedure ("ULURP") and certain other contingencies, but must take place by year-end 2017, unless otherwise extended by the Port Authority and NYCEDC.

On June 9, 1983, the Board of Commissioners of the Port Authority certified the Teleport as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

*Essex County Resource Recovery Facility*

The Essex County Resource Recovery Facility, providing a mass-burn resource recovery plant constructed and operated by a private full service vendor, is located in the City of Newark, N.J., on an approximately 25-acre site. The plant processes municipal solid waste and produces thermal and electrical energy.

On May 15, 1985, the Port Authority, Essex County and the City of Newark entered into an agreement regarding development of the facility. On December 16, 1987, the Superior Court of New Jersey, Appellate Division, in an action brought by the City of Newark against Essex County, held that, although Essex County had violated the agreement by locating certain municipal solid waste transfer facilities within the City of Newark, the remainder of the agreement was valid and would be upheld.

On March 7, 1986, the Port Authority entered into agreements (certain of which have been amended) with a private full service vendor with respect to the design, construction, start-up and acceptance testing of the plant and the provision of municipal solid waste disposal services. Additionally, on March 7, 1986, the Port Authority and Essex County entered into an agreement (which was subsequently amended and restated) providing for the disposal at the plant of municipal solid waste originating in Essex County. This agreement was amended in July 1999 (the "Waste Disposal Agreement") in consequence of certain litigation regarding the constitutionality of New Jersey's flow control system for municipal solid waste and provided for the continued delivery of Essex County municipal solid waste to the plant at the July 1, 1999 tipping fee rate (representing a reduction of approximately 23% from the original agreement's calculated rate) plus agreed-upon escalations for a ten year period on the basis of voluntary contracts with municipalities in Essex County. The Port Authority, Essex County and the Essex County Utilities Authority also reached agreement with respect to the termination of the litigation, including the settlement of the Port Authority's damages claims, for lump sum payments to the Port Authority totaling \$16.2 million, with an additional \$5 million to be paid to the Port Authority over a ten year period, at the rate of \$500,000 per year, commencing in 2009. In October 2009, the Port Authority and Essex County Utilities Authority, on behalf of Essex County, amended the Waste Disposal Agreement effective February 1, 2010, and extended its term through January 31, 2015. In September 2014, the parties



## APPENDIX C

---

amended the Waste Disposal Agreement effective September 3, 2014, and further extended its term through January 31, 2022.

In July 2012, the Port Authority entered into a twenty-year waste disposal contract, which is anticipated to expire in 2032, with the City of New York for the disposal at the plant of up to 500,000 tons per year of municipal solid waste originating in New York City. Also in July 2012, the Port Authority and the private full service vendor entered into certain supplemental agreements under which the private full service vendor assumed the Port Authority's obligations under the waste disposal contract with the City of New York. The supplemental agreements also required the private full service vendor to enter into an agreement with the New Jersey Department of Environmental Protection providing for the construction and maintenance of certain air emissions control technology at the plant, and restructured certain financial obligations of the Port Authority and the private full service vendor pertaining to the plant.

In 2015, the plant accepted approximately 889,785 tons of municipal solid waste, approximately 38% of which was generated by Essex County. Under the current agreements, Essex County municipal solid waste has priority for available capacity at the plant, while New York City municipal solid waste has priority over waste from other municipalities. It is presently expected that the private full service vendor operating the plant will provide for municipal solid waste to continue to be delivered to the plant from other municipalities, to the extent of available plant capacity. Municipal solid waste from other municipalities continues to be subject to market rates.

The sale of the net power output of the plant commenced in November 1990. The electric power was purchased by Public Service Electric & Gas Company ("PSE&G") under a 1995 agreement with the private full service vendor, which was amended in 1999 as a consequence of certain legislation enacted in the State of New Jersey, which opened the retail electricity market in New Jersey to retail competition. Under the amended agreement PSE&G and the private full service vendor, with the Port Authority's consent, revised the price received for electric power at the plant to a rate closer to the prevailing market prices. Under the amended agreement, PSE&G made a one-time "buy-down" payment of \$25 million to the private full service vendor with respect to such rate reduction, of which the Port Authority received approximately \$18 million. Currently, power is purchased by PJM Settlement, Inc., under an agreement with the private full service vendor.

Certain environmental matters with respect to the condition of the site, the operation of the plant by the private full service vendor or the composition of solid waste delivered to the plant, the liability or cost for which is presently uninsurable and not amenable to guaranteed limitation, may give rise to substantially increased costs to the Port Authority.

By letter dated August 13, 2004, the United States Environmental Protection Agency ("EPA") advised the full service vendor of the Essex County Resource Recovery Facility that the EPA deems the full service vendor to be a "potentially responsible party" (under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA")) that may be jointly and severally liable for the EPA's clean-up costs at the Diamond Alkali Superfund Site, in Newark, New Jersey, and has requested that the full service vendor become a cooperating party, by participating in the Cooperating Parties Group. In the letter, the EPA alleges that the full service vendor released hazardous substances in the Lower Passaic River Study Area. Additionally, the EPA indicated in the letter that it has identified approximately 53 other entities as "potentially responsible parties" with respect to the Diamond Alkali Superfund Site, of which 31 have joined the Cooperating Parties Group. On September 1, 2004, the full service vendor requested indemnification from the Port Authority under certain agreements entered into between the Port Authority and the full service vendor.

On May 9, 1985 (as amended November 14, 1985), the Board of Commissioners of the Port Authority certified the Essex County Resource Recovery Facility as an additional facility of the Port Authority and

## APPENDIX C

---

authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility, subject to certain conditions which have been satisfied.

### **Pre-development Site Acquisition Program**

On October 11, 1984, the Board of Commissioners of the Port Authority established the Pre-development Site Acquisition Program, a centralized program of up to \$75,000,000 at any one time through which the Port Authority may acquire real property in connection with the development of additional facilities prior to the actual formal certification of these facilities, certified the Program as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Appropriate approvals would be obtained prior to the purchase of any property intended to form a part of this facility. As a project is formally certified as an additional facility, the real property attributable to such additional facility (including the costs associated with the acquisition of such real property) would be transferred to the newly-certified additional facility and the amounts available under this facility would be recalculated, as appropriate.

On December 22, 2010, the Port Authority acquired certain real property in Jersey City, New Jersey, through this facility.

### **Regional Development**

From time to time, at the request of the Governors of the States of New York and New Jersey, the Port Authority participates in certain programs that are deemed essential to the continued economic viability of the States and the region. These programs, which are generally non-revenue producing to the Port Authority, are addressed by the Port Authority in its budget and business planning process in the context of the Port Authority's overall financial capacity. The Port Authority does not expect to derive any revenues from the regional development facilities described below.

#### *Regional Development Facility*

The Regional Development Facility is a centralized program of certain economic development and infrastructure renewal projects not otherwise a part of other Port Authority facilities provided from moneys made available by the Port Authority pursuant to the Governors' Program of June 1983 related to a Bank for Regional Development, the World Trade Center and Industrial Development. At the time of the announcement of the Governors' Program in June 1983, it was expected that \$250,000,000 of capital funds would be made available to be used for economic development and infrastructure renewal projects in the two States to be allocated on the basis of 45 percent of the projects to be undertaken in the State of New York and 55 percent for projects to be undertaken in the State of New Jersey.

On September 10, 1987, the Board of Commissioners of the Port Authority certified the Regional Development Facility, from which the Port Authority does not expect to derive any revenues, as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

#### *New Jersey Marine Development Program*

Certain fishery, marine, or port development projects in the State of New Jersey with a total cost to the Port Authority of \$27,000,000, to be undertaken at the request of the Governor of that State, pursuant to existing legislation and subject to necessary and appropriate authorizations, if any, would be provided under the New Jersey Marine Development Program. All funds under this Program have been fully allocated by the Port Authority to various projects.

## APPENDIX C

---

On September 14, 1989, the Board of Commissioners of the Port Authority certified the New Jersey Marine Development Program, from which the Port Authority does not expect to derive any revenues, as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Regional Economic Development Program*

The Regional Economic Development Program is to be comprised of up to \$400,000,000 for certain of the transportation and economic development and infrastructure renewal projects in the State of New Jersey and the State of New York to be undertaken at the request of the respective Governor thereof, consistent with existing legislation and subject to necessary and appropriate authorizations, if any, from moneys made available by the Port Authority and as provided in the Port Authority's current budget.

On September 14, 1989 and on July 11, 1991 (subject to certain conditions which have been satisfied), the Board of Commissioners of the Port Authority certified the Regional Economic Development Program, from which the Port Authority does not expect to derive any revenues, as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Hudson-Raritan Estuary Resources Programs*

The Hudson-Raritan Estuary Resources Programs are to be comprised of certain real property in the Port District area of the Hudson-Raritan Estuary (which includes all the waters of the New York and New Jersey harbor and the tidally influenced portions of all rivers and streams that empty into the harbor) acquired by the Port Authority in support of its capital program. Any property to be acquired under these programs would have to provide natural resource areas that help maintain the *status quo* in terms of mitigation ratios required for development; opportunities for environmental enhancement/ancillary economic redevelopment; buffer areas around Port Authority facilities that diminish the impact of facility operations on the surrounding communities; or public access at areas deemed critical for such access in coastal zone management plans and local waterfront revitalization plans. Any acquisition under these programs will be carried out in consultation with the office of the Governor of the State in which the property is located, together with natural resource agencies and representatives of environmental organizations with expertise in these areas. As appropriate after acquisition, such property may be leased on a long-term basis to not-for-profit organizations, natural resource agencies or municipalities. It is presently expected that the aggregate cost of any real property to be acquired under these programs would not exceed \$120 million (with up to \$60 million allocated to property to be acquired in each of the States of New York and New Jersey).

On November 21, 2002, and on April 23, 2014, respectively, the Board of Commissioners of the Port Authority certified the Hudson-Raritan Estuary Resources Programs as additional facilities of the Port Authority, from which the Port Authority does not expect to derive any revenues, and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with those facilities.

### *New York Transportation, Economic Development and Infrastructure Renewal Program*

The New York Transportation, Economic Development and Infrastructure Renewal Program is to be comprised of certain transportation, economic development and infrastructure renewal projects in the State of New York, in an aggregate amount not to exceed \$250 million, to be designated by the Governor of the State of New York. These projects would be effectuated by the Port Authority consistent with existing legislation, agreements with the holders of the Port Authority's obligations and the Port Authority's then current capital plan. The Governor of the State of New York has designated various projects and programs, and requested that the Port Authority effectuate these projects through the Empire State Development Corporation.

## APPENDIX C

---

On November 21, 2002, the Board of Commissioners of the Port Authority certified the New York Transportation, Economic Development and Infrastructure Renewal Program as an additional facility of the Port Authority, from which the Port Authority does not expect to derive any revenues, and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### *Regional Transportation Program*

The Regional Transportation Program is to be comprised of certain regional transportation projects in the States of New York and New Jersey to be designated by the respective Governor thereof, in an aggregate amount not to exceed \$500 million, with \$250 million to be provided in each of the States of New York and New Jersey.

On November 21, 2002, the Board of Commissioners of the Port Authority certified the Regional Transportation Program as an additional facility of the Port Authority, from which the Port Authority does not expect to derive any revenues, and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

### **Additional Facilities, Capital Improvements and Certain Programs**

The Port Authority is now engaged in providing various capital improvements to certain of its existing facilities and has undertaken studies for other such improvements and for other new construction and acquisitions, which are expected to require the issuance of obligations in addition to the Bonds or the provision of other capital funds by the Port Authority from time to time. These include, but are not limited to, improvements and construction outlined herein, and in some cases are in fulfillment of contractual commitments assumed by the Port Authority in leases and other agreements or are undertaken pursuant to existing legislation at the request of the two States. The estimated costs of improvements to Port Authority facilities have been revised from time to time to reflect cost increases attributable to, among other factors, lengthy strikes and other unforeseen construction delays, extraordinary inflationary increases in the cost of labor and materials, unanticipated claims by contractors, changes in project specifications and resolution of environmental matters and associated proceedings which arise during the course of construction, including those related to channel improvements and dredging. No attempt is made to enumerate all such improvements or projects under study by the Port Authority at the present time.

### *Certification in Connection with Additional Facilities*

Agreements between the Port Authority and holders of currently outstanding Consolidated Bonds impose certain requirements on the Port Authority relative to the financing of any additional facility for the first time by Consolidated Bonds or other bonds sharing in the pledge of the General Reserve Fund. Before the Port Authority can issue any such obligations for purposes in connection with such an additional facility, it must first certify its opinion that such issuance will not, during a specified period, materially impair the sound credit standing of the Port Authority or the investment status of Consolidated Bonds or the ability of the Port Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds. Unless and until, having first made such certification, the Port Authority does in fact issue Consolidated Bonds or other bonds secured by the General Reserve Fund for purposes in connection with such an additional facility, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with such additional facility.

### *Certain Additional Projects Under Study*

The Port Authority presently has under study a number of additional projects or facilities. As stated above, no attempt is made to enumerate all projects under study by the Port Authority at the present time. The Port Authority is presently participating in evaluating certain projects or facilities under study with

## APPENDIX C

---

appropriate government officials and agencies in both States. In particular, the Port Authority is evaluating an extension of the PATH system to Newark Liberty International Airport, the replacement of the AirTrain Newark system at Newark Liberty International Airport, the replacement of the Port Authority Bus Terminal, and the replacement of the Lincoln Tunnel Helix.

In order for the Port Authority to undertake certain additional projects or facilities under study, in addition to authorization by the Board of Commissioners of the Port Authority, appropriate legislation may be required and such projects could, if undertaken, involve capital expenditures by the Port Authority. Furthermore, in the case of additional facilities, no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

### *Inapplicability of Statutory Covenant Against Dilution of Pledged Revenues and Reserves by Additional Passenger Railroad Deficits*

Effective May 10, 1973, the States of New York and New Jersey enacted legislation to preclude prospective application to bonds issued after such date of the statutory covenants adopted in 1962 limiting the Port Authority's ability to apply pledged revenues and reserves to additional deficit passenger railroad facilities (Chapter 1003, Laws of New York, 1972, as amended by Chapter 318, Laws of New York, 1973; Chapter 208, Laws of New Jersey, 1972; Section 6, Chapter 209, Laws of New York, 1962; Section 6, Chapter 8, Laws of New Jersey, 1962).

In 1974, the States of New York and New Jersey acted to repeal, without qualification, such statutory covenants. On April 27, 1977, in an action brought by the United States Trust Company of New York on its own behalf, as trustee for the Fortieth and Forty-first Series of Port Authority Consolidated Bonds and on behalf of the holders of all Port Authority Consolidated Bonds, against the State of New Jersey and the Governor and Attorney General of the State of New Jersey, the Supreme Court of the United States held that the 1974 retroactive repeal of the covenant with the holders of prior affected bonds (as distinguished from the prospective repeal, effective May 10, 1973, noted above) was invalid and in violation of the United States Constitution. The last series of Consolidated Bonds to which this statutory covenant applied was redeemed on September 1, 2001.

### *The Governors' Agreement of June 1, 2000*

From time to time, the Governors of the States of New York and New Jersey have engaged in a dialogue about those programmatic elements which in their judgment were essential to the continued economic viability of their States and the region, and which should be addressed by the Port Authority in its budget and business planning process, the scope of the allocation of Port Authority resources on a historical basis and the appropriate balance between the two States in the development of new Port Authority projects and facilities.

On June 1, 2000, the Governors announced that they had reached agreement on several future projects for the Port Authority and a framework by which other future projects will be evaluated. This agreement, which was outlined in a memorandum to the Governors from the Chairman and Vice Chairman of the Port Authority's Board of Commissioners, provided for the authorization of certain projects, leases, agreements and studies.

The items covered by the memorandum were all acted upon at a special meeting of the Board of Commissioners of the Port Authority on June 2, 2000. The items included authorization of the execution of leases with Maersk Container Service Company, Inc., and Maher Terminals Inc., respectively, providing for the development of new container terminals at the Elizabeth-Port Authority Marine Terminal; the execution of an agreement pertaining to the operation of certain retail space in the Port Authority Bus Terminal and the construction and operation of an office tower to be constructed in the air space above that facility; a \$287 million increase in the project authorization for the airport access project

## APPENDIX C

---

for John F. Kennedy International Airport and a project in an amount not to exceed \$13 million to provide certain economic initiatives of benefit to residents and businesses of the airport community; a project for the reconfiguration and redevelopment of the Elizabeth-Port Authority Marine Terminal; a rail freight link project in Elizabeth, New Jersey; a study to determine the feasibility of extending the Newark line of the Port Authority Trans-Hudson system to directly connect to Newark Liberty International Airport; the execution of a lease for certain space at the James A. Farley Building and associated facilities in New York City, which was to be redeveloped by the Empire State Development Corporation and its subsidiaries into an intermodal transportation and commerce center serving the New York and New Jersey region, which lease authorization was later rescinded by the Board of Commissioners at its meeting on March 24, 2016 since the redevelopment of the Farley Building into an intermodal transportation center had not been completed in the period since the year 2000 actions by the Board of Commissioners and Committee of Operations and since the proposed lease agreement with the Empire State Development Corporation was never executed by the parties (see also “*Railroad — The Hudson Tubes Facility*”); the execution of an agreement for exclusive real estate brokerage services in connection with the proposed net lease of the Newark Legal and Communications Center; certain agreements in connection with the Howland Hook Marine Terminal; and certain agreements in connection with the Brooklyn-Port Authority Marine Terminal and the continued participation in and funding for the trans-harbor freight barge service associated with the Red Hook Container Terminal at such facility. Additionally, Port Authority staff was instructed to send the request for proposals for a net leasing transaction pertaining to the World Trade Center to those entities which were qualified to receive such request, and to establish a process for the evaluation of the responses thereto.

At its special meeting of June 2, 2000, the Board of Commissioners of the Port Authority authorized capital expenditures, in an aggregate amount not to exceed \$250 million, for transportation, economic development and infrastructure renewal projects in the State of New York, to be designated by the Governor thereof. (See “*New York Transportation, Economic Development and Infrastructure Renewal Program.*”)

Additionally, at its special meeting, the Board of Commissioners of the Port Authority authorized, as an adjunct to the Port Authority’s business planning process, Port Authority staff, together with such financial and other experts as are deemed necessary, to prepare a study leading to the development of a methodology to analyze the appropriateness of capital projects to be undertaken by the Port Authority in the context of the Port Authority’s overall financial capacity.

### *Governors’ Program Related to a Bank for Regional Development, the World Trade Center and Industrial Development*

In June 1983, and in March 1987, the Governors of the States of New York and New Jersey announced their recommendations with respect to certain programmatic elements which in their judgment were essential to the continued economic viability of the region and which they concluded should be addressed in the Port Authority’s applicable five-year capital plans.

These announcements contemplated a series of actions by the Port Authority and the States of New York and New Jersey which, taken together, would permit the undertaking of a capital program in rail, highway and other infrastructure renewal projects to foster the revitalization of the commerce and economic development of the bi-State region. These announcements also contemplated the establishment of a Bank for Regional Development, consistent with agreements with the holders of Consolidated Bonds, which would provide capital funds for infrastructure projects in the region, subject to appropriate Port Authority authorizations and certifications. In the June 1983 announcement, it was expected that \$250,000,000 of capital funds to be available for the Bank for Regional Development would be used for economic development and infrastructure renewal projects in the two States to be allocated on the basis of 55 percent for projects to be undertaken in the State of New Jersey and 45 percent for projects to be

## APPENDIX C

---

undertaken in the State of New York. Legislation authorizing the establishment of a Bank for Regional Development has not been enacted into law in either State.

To date, certain projects have been authorized pursuant to existing legislation at the request of the two States, the funds for which have been allocated against the expected expenditure of the above mentioned \$250,000,000 (\$137,500,000 has been allocated for certain projects in the State of New Jersey, and \$112,500,000 has been allocated for certain projects in the State of New York); in each case subject to necessary or appropriate certifications and approvals, if any.

In their June 1983 announcement, the Governors of the States of New York and New Jersey agreed to initiate a process to determine the appropriateness of a sale of the World Trade Center. In June 1984, following the conclusion of a report by an independent financial consultant, it was agreed that the Port Authority and the two States would derive the greatest value from the World Trade Center if it were retained by the Port Authority rather than sold to private interests.

In their March 1987 announcement, the Governors requested that the Port Authority provide in its five-year 1987-1991 capital plan for an additional \$150,000,000 for infrastructure projects that the States identify as being critically important to the region. In March 1991, following discussions with the Governors in connection with the 1991-1995 capital plan, the Port Authority agreed to make available an additional \$250,000,000 for such projects, as well as for transportation and economic development projects identified by the Governors. Additionally, the Port Authority agreed to provide in such capital plan for a further \$20,000,000 for additional transportation related projects to be identified by the Governors; such amount has been allocated equally to projects identified in each State.

### *The Fund for Regional Development*

In 1983, the Fund for Regional Development was established to sublease space in the World Trade Center previously held by the State of New York as tenant. The State of New York had entered into a lease in 1970, for approximately 2.1 million square feet of space in Two World Trade Center. The lease was renewable for successive 5-year terms totaling 100 years; however the State of New York did not exercise its option in 1975 to renew and, commencing in 1983, over a 13-year period ending in mid-1996, vacated all space covered by the lease. The agreement among the States of New York and New Jersey and the Port Authority, which established the Fund for Regional Development, provided that net revenues from the subleasing of such space were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of the States of New York and New Jersey. The assets, liabilities, revenues, expenses and reserves of the Fund for Regional Development were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund for Regional Development. In consideration of the transfer of the interest of the Fund for Regional Development in such subleased space in the World Trade Center, the Port Authority agreed to make a series of 59 semiannual payments to the States of New York and New Jersey beginning in March 1992. Such payments are payable in the same manner and out of the same revenues as operating expenses of the Port Authority. Pursuant to the terms of such 1990 agreement, effective March 1, 2004, the State of New York and the Empire State Development Corporation entered into an agreement providing, among other things, for the assignment to the Empire State Development Corporation of all rights to the March 1, 2004 payment and all subsequent semiannual payments to be made to the State of New York under such 1990 agreement. The cost to the Port Authority in connection with the termination of the Fund for Regional Development was approximately \$430,500,000, which included the net present value of the payments to the States of New York and New Jersey of \$326,000,000, the assumption of the Fund for Regional Development's net liabilities of \$101,000,000 and additional liabilities of \$3,500,000 to the State of New York as a result of the termination agreement.

## APPENDIX C

---

### *Port Authority Bus Programs*

In 1979, the two States adopted legislation which, as amended in 1982, authorized the Port Authority to acquire, develop, finance and transfer, subject to appropriate certifications, up to \$440,000,000 of buses and ancillary bus facilities in the States of New York and New Jersey, with up to \$220,000,000 allocated in each State, for the purpose of leasing, selling, transferring or otherwise disposing of such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The increases in the Port Authority bridge and tunnel tolls schedules which were effective May 5, 1975 made possible the allocation of \$240,000,000 (on the basis of \$120,000,000 in each State) for purposes of this facility. The Port Authority Bus Programs were certified as additional facilities of the Port Authority in 1979 and 1982, respectively, by the Board of Commissioners of the Port Authority.

The Port Authority has provided 2,907 buses and related spare parts under the Port Authority Bus Programs in the States of New York and New Jersey, certain of which served as the local share supporting additional federal funding to each State and were also included by the lessees thereof in safe-harbor lease-financing transactions facilitating additional funding for the two States' mass transportation capital programs at no additional cost to the Port Authority. As of June 30, 1998, title to all buses leased under such programs in the States of New York and New Jersey was transferred to the respective lessees thereof.

### **Channel Improvement Projects**

Under a program authorized in 1996 by the Board of Commissioners of the Port Authority, the Port Authority and the States of New York and New Jersey are engaged in a comprehensive dredging and disposal plan extending through the year 2025 for the Port of New York and New Jersey. The Port Authority has committed approximately \$125 million through December 2015 out of a commitment of up to \$130 million under this program for dredging and related projects pertaining to this plan. The plan is a top priority of the Port Authority and the States of New York and New Jersey, and the Port Authority and the States have worked with the United States Environmental Protection Agency, the United States Army Corps of Engineers, other departments of the federal government, the City of New York, affected community groups, port businesses, including fishing and tourism groups, and the environmental community, to implement the plan in an economically sound and environmentally responsible manner.

Additionally, since 1986, the United States Army Corps of Engineers has undertaken various channel deepening and selective widening projects for the Ambrose, Anchorage, Arthur Kill, Bay Ridge, Kill Van Kull, Newark Bay and Port Jersey Channels. These projects, which are approximately 99% complete, have resulted in the progressive deepening of the main channels of the New York and New Jersey Harbor from a depth of 35 feet down to 50 feet or greater. The Port Authority has entered into cost-sharing agreements with the United States Department of the Army and with certain utility companies with respect to these channel deepening projects. It is presently anticipated that the Port Authority's total aggregate share of the cost of these projects, including those projects that have already been completed, will be approximately \$956 million. As of December 31, 2015, the Port Authority has provided approximately \$917 million in connection with these projects.

The general channel improvements described above are expected to benefit the Port Authority's marine terminal facilities, enhancing the ability of modern deep-draft containerships to navigate to the Elizabeth-Port Authority Marine Terminal, portions of Port Newark, the Howland Hook Marine Terminal, and the Port Jersey-Port Authority Marine Terminal.

### **Environmental Policy**

In June 1993, the Port Authority formally issued an environmental policy statement recognizing its long-standing commitment to provide transportation, terminal and other facilities of commerce within the Port District, to the greatest extent practicable, in an environmentally sound manner. Additionally, the



## APPENDIX C

---

Port Authority expressed its commitment to manage its activities consistent with applicable environmental laws and regulations and to deal with identified environmental matters on a responsible, timely and efficient basis. Over the years each of the Port Authority's departments has been involved to some degree in actively pursuing capital and operating strategies that address various air, land, water quality and other environmental matters. The Port Authority also participates with federal, state and local agencies in the review of environmental matters and associated proceedings. While the Port Authority's environmental process has been effective in the past, in line with evolving corporate best practices in this area, in December 2004, the Executive Director of the Port Authority established an office of environmental policy and compliance to provide centralized leadership, guidance and accountability on environmental matters in support of the Port Authority's overall mission. This Office focuses on environmental compliance and due diligence, environmental reviews and permitting, sustainability initiatives and external environmental programs. In 2009, this Office was renamed the Office of Environmental and Energy Programs, in recognition of the nexus between energy production and use and environmental performance. This Office focuses on the implementation of the Port Authority's policies pertaining to energy procurement; energy efficiency; renewable energy; environmental compliance and due diligence; environmental reviews and permitting; sustainability initiatives, in connection with the design, construction, operation and maintenance and occupancy or leasing of new or substantially renovated buildings and facilities; programs in connection with climate change, providing for the Port Authority to use its best efforts to reduce greenhouse gas emissions related to its facilities to meet certain goals; and external environmental programs.

**APPENDIX C**

**Information on Capital Investment in Port Authority Facilities**

	Facilities, net Dec. 31, 2014	Capital Investment <sup>(a)</sup>	Depreciation	Dispositions	Facilities, net Dec. 31, 2015
			(In thousands)		
<b>INTERSTATE TRANSPORTATION NETWORK</b>					
George Washington Bridge & Bus Station	\$ 906,776	\$ 80,763	\$ 33,574	\$ -	\$ 953,965
Holland Tunnel	362,174	35,703	18,359	-	379,518
Lincoln Tunnel	882,932	200,562	43,338	-	1,040,156
Bayonne Bridge	546,939	332,548	19,333	-	860,154
Goethals Bridge	536,282	272,785	34,937	-	774,130
Outerbridge Crossing	90,197	4,582	4,762	-	90,017
Port Authority Bus Terminal	479,804	29,288	24,961	-	484,131
Subtotal - Tunnels, Bridges & Terminals	<u>3,805,104</u>	<u>956,231</u>	<u>179,264</u>	<u>-</u>	<u>4,582,071</u>
PATH	2,410,384	154,670	163,634	-	2,401,420
WTC Transportation HUB	3,277,275	113,724	35,087	-	3,355,912
Journal Square Transportation Center	88,346	34	7,014	-	81,366
Subtotal - PATH	<u>5,776,005</u>	<u>268,428</u>	<u>205,735</u>	<u>-</u>	<u>5,838,698</u>
Ferry Transportation	111,426	592	5,289	-	106,729
Access to the Region's Core (ARC)	88,388	-	10,115	-	78,273
Total Interstate Transportation Network	<u>9,780,923</u>	<u>1,225,251</u>	<u>400,403</u>	<u>-</u>	<u>10,605,771</u>
<b>AVIATION <sup>(b)</sup></b>					
LaGuardia	1,157,041	356,631	59,498	-	1,454,174
John F. Kennedy International	3,634,027	305,738	196,482	-	3,743,283
Newark Liberty International	2,432,406	98,791	151,961	-	2,379,236
Teterboro	250,835	6,164	16,101	-	240,898
Stewart International	146,184	24,481	6,258	-	164,407
Total Aviation	<u>7,620,493</u>	<u>791,805</u>	<u>430,300</u>	<u>-</u>	<u>7,981,998</u>
<b>PORT COMMERCE</b>					
Port Newark	774,558	55,983	30,742	-	799,799
Elizabeth Port Authority Marine Terminal	1,073,827	4,248	35,772	-	1,042,303
Brooklyn Port Authority Marine Terminal	57,550	5,337	1,065	-	61,822
Howland Hook Marine Terminal	496,855	4,921	17,196	-	484,580
Greenville Yard / NYNJ Rail LLC	27,303	10,069	309	-	37,063
Port Jersey-Port Authority Marine Terminal	382,391	13,171	6,070	-	389,492
Total Port Commerce	<u>2,812,484</u>	<u>93,729</u>	<u>91,154</u>	<u>-</u>	<u>2,815,059</u>
<b>DEVELOPMENT</b>					
Essex County Resource Recovery Facility	7,071	-	1,261	-	5,810
Industrial Park at Elizabeth	6,370	-	279	-	6,091
Bathgate Industrial Park	4,347	1,238	1,323	-	4,262
Teleport	12,440	872	1,842	-	11,470
Queens West Waterfront Development	86,616	-	605	-	86,011
Hoboken South Waterfront Development	71,968	-	2,862	-	69,106
Total Development	<u>188,812</u>	<u>2,110</u>	<u>8,172</u>	<u>-</u>	<u>182,750</u>
<b>WORLD TRADE CENTER</b>					
WTC Site <sup>(c)</sup>	3,361,327	305,749	54,815	-	3,612,261
One World Trade Center	3,296,569	139,188	85,229	-	3,350,528
WTC Towers 2, 3 & 4 <sup>(d)</sup>	2,271,576	328,968	38,369	-	2,562,175
WTC Retail LLC	1,441,291	130,882	15,941	-	1,556,232
Total World Trade Center	<u>10,370,763</u>	<u>904,787</u>	<u>194,354</u>	<u>-</u>	<u>11,081,196</u>
<b>FACILITIES, NET</b>	<u>\$30,773,475</u>	<u>\$3,017,682</u>	<u>\$1,124,383</u>	<u>\$ -</u>	<u>\$32,666,774</u>
<b>REGIONAL PROGRAMS</b>	<u>\$ 342,987</u>	<u>\$ 2,552</u>	<u>\$ 64,665</u>	<u>\$ -</u>	<u>\$ 280,874</u>

(a) Capital investment includes contributed capital amounts and write-offs related to capital construction.

(b) Facility capital investment amounts include projects that were funded with Passenger Facility Charges.

(c) Capital investment includes site infrastructure primarily related to the WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.

(d) Includes WTC net lessee contributed capital amounts related to the construction of Tower 2, 3 and 4.

**APPENDIX C**

**Significant Capital Projects\*  
(as of December 31, 2015)  
(Dollars in Millions)**

<u>Facility</u>	<u>Project Name</u>	<u>Current Authorization/ Reauthorization</u>	<u>Forecasted Completion Date</u>	<u>Total Expended</u>	<u>Estimated Final Cost**</u>
<b>AVIATION</b>					
JFK	Redevelopment of Terminal 4	08/10	08/20	\$ 187.6	\$ 231.0
JFK	Rehabilitation of Runway 4L-22R	06/14	01/17	289.7	464.3
JFK	Rehabilitation of Taxiway Q and QG	05/11	04/19	1.1	55.8
JFK	Replacement of 5KV Feeders	02/13	11/17	5.4	47.5
JFK	Building 156 (Control Tower) Roofing and HVAC Replacement	10/14	04/20	1.2	49.4
JFK	Rehabilitation of Runway 4R-22L	10/15	06/18	1.0	125.6
JFK/LGA/ EWR/SWF	Replacement of Parking Access and Revenue Control Systems	11/15	08/19	-	65.2
LGA	East End Substation	08/12	12/16	89.5	106.9
LGA	Rehabilitation of Runway 13-31 and Associated Taxiways	03/15	04/17	26.5	42.8
LGA	Runways 13 & 22 Deck Safety Overrun and Associated EMAS for Runways 13 & 22	04/13	12/19	74.5	142.3
LGA	East Parking Garage	03/13	05/18	67.8	82.9
LGA	CTB Redevelopment Program - Surface and Structure Parking Program	11/13	06/18	24.2	230.4
LGA	Flood Mitigation and Storm Resiliency	02/15	07/18	6.9	45.5
EWR	Infrastructure Renewal - Electrical Distribution	04/14	09/18	2.8	66.0
EWR	AirTrain Replacement Planning	04/15	12/19	1.2	40.0
SWF	Rehabilitation of Runways 9-27 and 16-34	04/13	10/16	73.1	104.0
<b>INTERSTATE TRANSPORTATION NETWORK</b>					
HT	Rehabilitation of Electrical and Mechanical Vent System	07/15	03/18	152.0	232.0
HT	Replacement of Piers 9/204	05/15	12/19	17.1	89.6
LT	Access Infrastructure Improvements	03/11	10/21	566.8	1,800.0
BB/GB/GWB	Replacement of Toll Collection System	06/14	12/20	20.5	175.0
HT/LT/OBX					
GWB	Suspender Ropes Replacement, Main Cables/Cable Strands Rehabilitation	03/14	05/24	16.9	1,030.0
GWB	Replacement of the Palisades Interstate Parkway Helix Ramp	02/13	10/19	8.0	77.5
GB	Goethals Bridge Modernization	04/13	***	188.7	***
GB	Interchange Ramps Project	07/13	12/20	2.2	130.0
BB	Bayonne Bridge Navigational Clearance Program	04/13	****	700.1	****
PATH	Signal System Replacement Program	10/09	12/21	400.2	580.0
PATH	Replacement of Substation #7	02/09	09/17	6.4	47.6
PATH	Replacement and Upgrade of the Christopher St. Substation	03/12	06/17	38.0	71.0
PATH	Replacement and Upgrade of Harrison Station	03/12	09/19	76.9	256.2

\* See footnote (\*) on next page.

\*\* Estimated Final Costs based on Board Authorization.

\*\*\* The Port Authority's portion of capital costs for the Goethals Bridge Modernization Program, excluding a payment by the Port Authority to the private developer of the project for approximately \$1 billion (subject to certain adjustments). For forecasted completion date and description of cost, see "Goethals Bridge," pp. II-14 – II-15.

\*\*\*\* For forecasted completion date and estimated final cost for the Bayonne Bridge Navigational Clearance Program, see "Bayonne Bridge," pp. II-13 – II-14.

Significant Capital Projects as of December 31, 2015 continued on next page.

**APPENDIX C**

<u>Facility</u>	<u>Project Name</u>	<u>Current Authorization/ Reauthorization</u>	<u>Forecasted Completion Date</u>	<u>Total Expended</u>	<u>Estimated Final Cost**</u>
<b>PORT COMMERCE</b>					
PN/EPAMT/HH	Consolidated Project To 50'-NY/NJ*****	07/01	06/23	736.2	743.0
PN	ExpressRail/Corbin Intermodal Rail Support - Track Work - Phase 2A	02/13	03/17	56.5	97.0
PN	Berth 14 Wharf Reconstruction	03/13	12/16	23.3	39.0
PN	Port Street Capacity and Corbin Street Ramps Improvements	12/13	12/21	12.1	105.0
PN	Berth 3 Wharf Reconstruction	07/15	12/17	32.0	47.9
HH	Roadway Access Improvements - East Bound Ramp	08/12	02/21	2.5	54.3
GPAMT	Development of the New York New Jersey Rail Float System	09/14	04/20	23.4	133.0
GPAMT	ExpressRail Port Jersey	09/14	04/20	21.2	149.0

**Explanation of Facility Abbreviations:**

BB	Bayonne Bridge	JFK	John F. Kennedy International Airport
EPAMT	Elizabeth — Port Authority Marine Terminal	LGA	LaGuardia Airport
EWR	Newark Liberty International Airport	LT	Lincoln Tunnel
GB	Goethals Bridge	OBX	Outerbridge Crossing
GPAMT	Greenville Yard — Port Authority Marine Terminal	PATH	The Hudson Tubes Facility
GWB	George Washington Bridge	PN	Port Newark
HH	Howland Hook	SWF	Stewart International Airport
HT	Holland Tunnel		

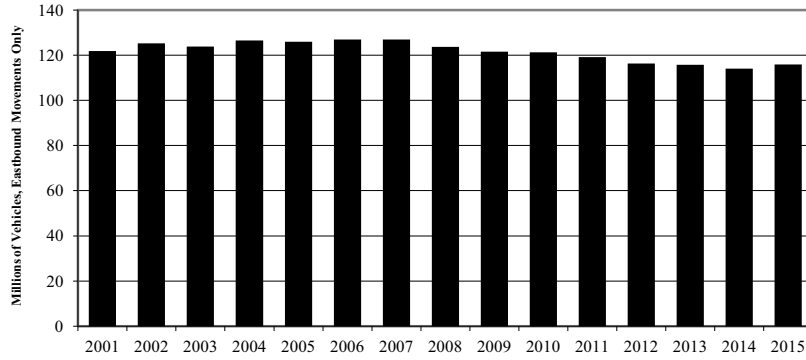
\* Construction costs in connection with Port Authority facilities are subject, among other items, to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, security, commerce, energy, and environmental permits and approvals and environmental impact analyses. Additionally, resolution of environmental matters and associated proceedings which arise during the course of construction, including those pertaining to channel improvements and dredging, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. Projects provided through the issuance by the Port Authority of special project bonds, projects related to facility security, and projects pertaining to the World Trade Center site are not included within the definition of "Significant Capital Projects" for purposes of this chart.

\*\* Estimated Final Cost based on Board Authorization.

\*\*\*\*\* Reflects portions of the Harbor Navigation Project that have not yet been completed.

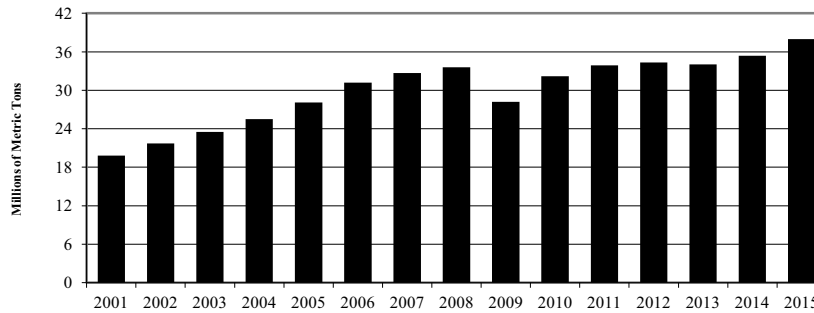
## DESCRIPTION OF THE PORT AUTHORITY AND ITS FACILITIES

### VOLUME OF VEHICULAR TRAFFIC AT ALL PORT AUTHORITY CROSSINGS



Total vehicular usage at all Port Authority crossings is approximately twice that shown for each year.

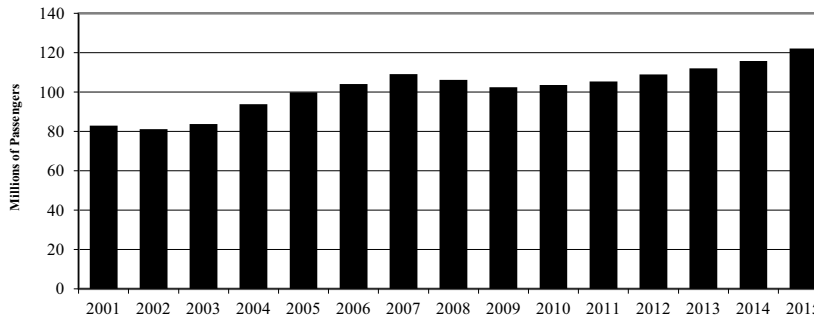
### OCEANBORNE GENERAL CARGO AT PORT AUTHORITY MARINE TERMINALS



A Metric Ton is equivalent to 2,205 pounds.

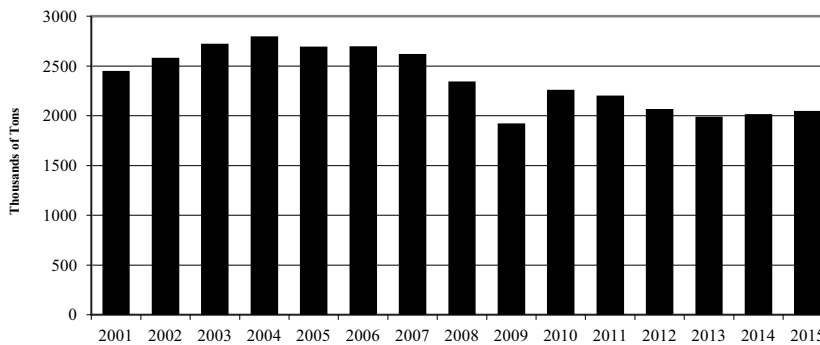
### NUMBER OF PASSENGERS AT PORT AUTHORITY AIRPORTS

#### NEWARK LIBERTY INTERNATIONAL, JOHN F. KENNEDY INTERNATIONAL AND LAGUARDIA AIRPORTS



### DOMESTIC AND INTERNATIONAL AIR CARGO AT PORT AUTHORITY AIRPORTS

#### NEWARK LIBERTY INTERNATIONAL, JOHN F. KENNEDY INTERNATIONAL AND LAGUARDIA AIRPORTS



---

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

# The Port Authority of New York and New Jersey

Condensed Consolidated Financial Statements as of  
and for the Three-Month Period Ended March 31,  
2016 (Unaudited)

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**1. OVERVIEW OF THE FINANCIAL STATEMENTS**

The following is an overview of the financial activities of the Port Authority of New York and New Jersey (The Port Authority) and its component units as of and for the three-month period ended March 31, 2016. This overview is intended to serve as an introduction to the unaudited condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be read in conjunction with the Port Authority's audited financial statements and appended note disclosures for the Year ended December 31, 2015.

The unaudited financial results for the three-month period ended March 31, 2016 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2016.

***Management's Discussion and Analysis***

Management's Discussion and Analysis provides an assessment of how the Port Authority's financial position has changed and identifies the factors that, in management's view, significantly affected the Port Authority's overall financial position.

***The Condensed Consolidated Financial Statements***

The Statements of Net Position provide information about the nature and amounts of investments in resources (assets) and the obligations to the Port Authority's (liabilities), with the difference between the two reported as Net Position (equity).

The Statements of Revenues, Expenses and Changes in Net Position show how the Port Authority's overall net position changed during the three-month period ended March 31, 2016 and March 31, 2015.

The Statements of Cash Flows provide information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities for the three-month period ended March 31, 2016 and March 31, 2015.

**2. FINANCIAL REPORTING ENTITY**

The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation primarily upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at certain of the Port Authority's facilities.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**3. BASIS OF ACCOUNTING**

The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

**4. FINANCIAL STATEMENT COMPARISON FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016**

**Net Position (Equity)**

The Port Authority's overall net position (equity) totaled \$15.8 billion at March 31, 2016, an increase of \$300 million from December 31, 2015. This increase is comprised of income from operations of \$227 million and income from non-operating activities of \$73 million.



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

	March 31, 2016	March 31, 2015	Variance
		(In thousands)	
Gross operating revenues	\$ 1,212,710	\$ 1,119,637	\$ 93,073
Operating expenses	(690,478)	(725,488)	35,010
Depreciation and Amortization	(295,034)	(273,026)	(22,008)
Net revenue related to Superstorm Sandy	-	41	(41)
Income from operations	227,198	121,164	106,034
Financial income	19,124	18,315	809
Interest expense, net*	(227,061)	(210,290)	(16,771)
Grants and other non-operating (expenses)/ revenues	25,776	24,376	1,400
Capital contributions and Passenger Facility Charges (PFCs)	255,043	209,508	45,535
Income from non-operating activities	72,882	41,909	30,973
Increase in net position	\$ 300,080	\$ 163,073	\$ 137,007

\*Net of reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments.

***Income from Operations:***

The Port Authority generated \$227 million in income from operations in the first three months of 2016, comprised of gross operating revenues of \$1.2 billion offset by operating expenses and depreciation of \$986 million.

**Gross operating revenues** of \$1.2 billion increased \$93 million or 8.3% from the same three-month period in 2015. Toll revenue at the Port Authority's six (6) vehicular crossings increased \$49 million or 13.8% primarily due to scheduled increases in tolling rates that became effective in December 2015, which represents the final scheduled toll increase approved in 2011, and an overall increase in vehicular traffic of 6.3%. Rental revenue increased \$27 million primarily due to increases in fixed and percentage rentals at One World Trade Center (WTC), One WTC Observation Deck, which opened to the public in 2015, and Aviation facilities. Port Authority Trans-Hudson Corporation (PATH) fares increased \$3.3 million primarily due to an 8.4% increase in passenger activity.

**Operating expenses** of \$690 million decreased \$35 million or 4.8% from the same three-month period in 2015. Decreases in operating expenses were achieved at Tunnels Bridges and Terminals (TB&T), Aviation, Port Commerce and Development Facilities primarily due to a \$18 million decrease in employee compensation, contractor payments and materials related to snow and ice removal activities due to less severe winter weather conditions through the first quarter of 2016 compared to the same period in 2015, a \$11 million decrease in electrical, natural gas and fuel oil consumption due to milder weather conditions and lower billing rates, and a \$11 million decrease in self-insured public liability and construction insurance loss reserves.

**Depreciation and amortization** of \$295 million increased \$22 million or 8.1% from the same period of 2015 resulting from completion of \$3.4 billion of capital project components in 2015 and an additional \$586 million in the first quarter of 2016. These capital infrastructure assets, primarily located at WTC, TB&T, and Aviation Facilities are ready for their intended use and are depreciated over their estimated useful life.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

***Income from Non-Operating Activities:***

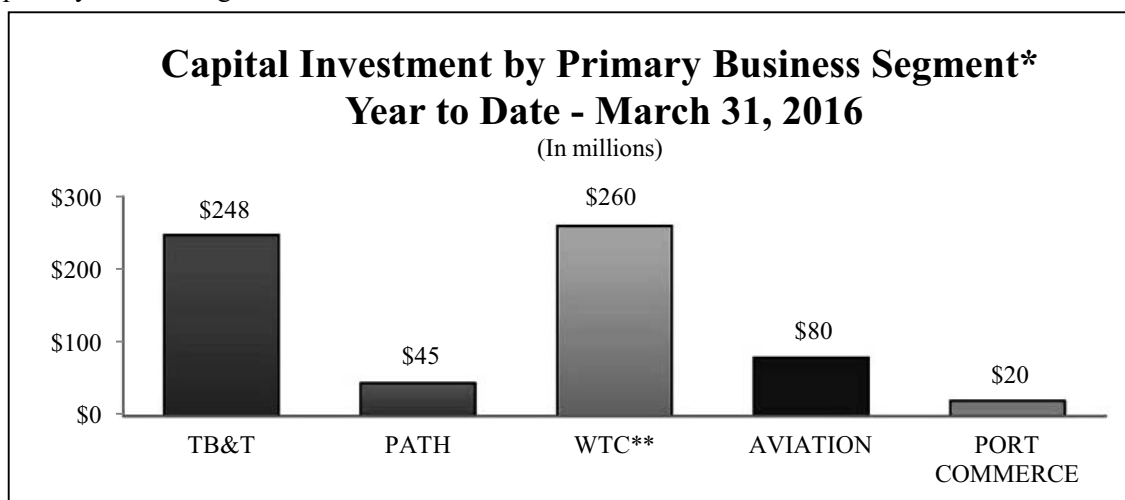
**Income from non-operating activities** of \$73 million increased \$31 million or 74% from the same three-month period of 2015. This increase is primarily due to a \$39 million increase in Contributions in aid of constructions from third parties, primarily related to the redevelopment of the WTC site and a \$6 million increase in Passenger Facility Charges at Aviation facilities related to increased passenger activity. Offsetting these increases in capital contributions was a \$17 million increase in interest expense related to Port Authority capital asset financing obligations from the same three-month period of 2015, primarily due to a decrease in the overall amount of WTC, TB&T and Aviation related capital construction projects under construction and thereby eligible for capitalized interest allocations.

**Assets:**

Port Authority assets totaled \$44.5 billion at March 31, 2016, an increase of \$171 million from December 31, 2015. This overall increase is primarily due to:

**Facilities, net**, including contributed capital amounts totaled \$33 billion at March 31, 2016, an increase of approximately \$374 million from December 2015. This net increase was primarily due to the Port Authority's continued capital investment in its operating facilities as outlined in the 2014-2023 ten-year capital plan. For additional information related to the Port Authority's current ten-year capital plan, please refer to Port Authority's website at: <http://www.panynj.gov/corporate-information/pdf/2014-public-capital-plan.pdf>.

The following chart depicts capital investment in Port Authority facilities of \$653 million, including contributed capital amounts from third parties for the first three months of 2016, summarized by primary business segment.



\*Excludes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

\*\*Capital Investment includes capital investment related to the WTC Transportation Hub.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**Cash (including restricted amounts)** balances totaled \$1.2 billion at March 31, 2016, a net decrease of \$104 million from December 2015. This overall decrease in cash was primarily due to the January 2016 refunding of \$335.9 million of consolidated bonds that were refunded with consolidated bond proceeds received in October 2015 and \$498 million in payments related to the construction of capital assets. Offsetting these decreases was an increase in cash provided by operations of \$551 million and a \$165 million increase related to investing activities.

**Port Authority Investments** of \$4.9 billion, excluding Port Authority Insurance Captive Entity (PAICE) restricted investments, decreased \$116 million primarily due to the maturity of investments.

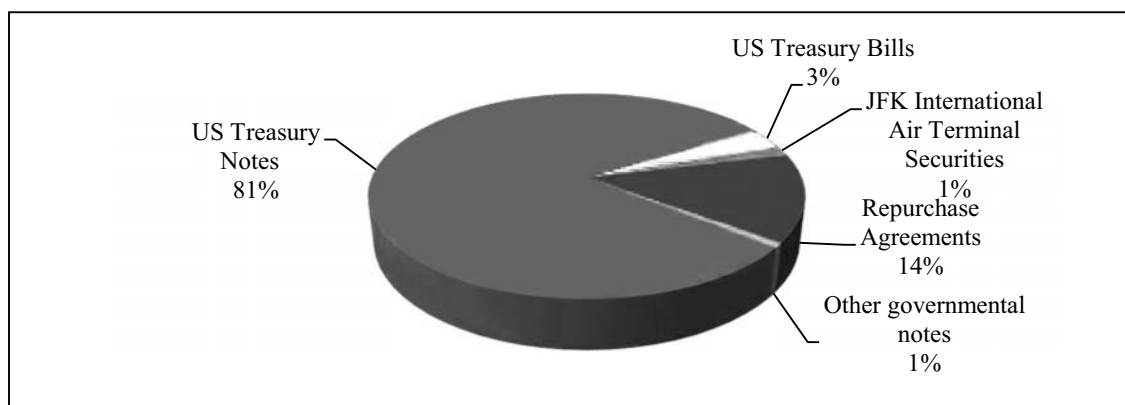
**Port Authority Investments, at fair value**

<b>Investment Type*</b>	<b>at March 31, 2016</b>	<b>Weighted Average Maturity (In days)</b>
	(In thousands)	
United States Treasury Notes	\$ 3,948,115	451
United States Treasury Bills	150,332	99
JFK International Air Terminal LLC obligations	79,718	3,533
Repurchase Agreements	677,316	6
Other governmental notes	37,851	239
<b>Total Investments**</b>	<b>\$ 4,893,332</b>	
Portfolio Weighted Average Maturity (in days)		427

\*Excludes \$1.0 billion of Collateralized Bank Accounts that are classified as cash equivalents and approximately \$995 million in investments that are on deposit in a restricted trust dedicated to Other Postemployment Employee Benefits (OPEB).

\*\*Excludes accrued interest receivable amounts of \$9.8 million.

**Port Authority Investments Asset Allocation:**



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

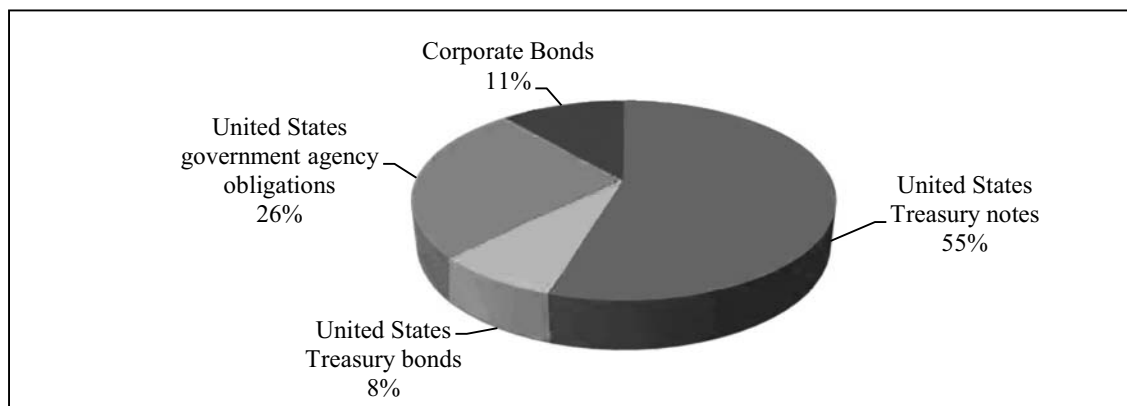
**Port Authority Insurance Captive Entity** investments of \$164 million, decreased \$21 million from December 31, 2015 primarily due the maturity of United States securities that have not been reinvested as of March 31<sup>st</sup>.

**PAICE Investments, at fair value**

<b>Investment Type</b>	<b>at March 31, 2016</b>	<b>Weighted Average Maturity (In days)</b>
	(In thousands)	
United States Treasury notes	<b>\$89,175</b>	646
United States Treasury bonds	<b>12,972</b>	802
United States government agency obligations	<b>42,181</b>	640
Corporate Bonds	<b>18,485</b>	893
<b>Total Investments*</b>	<b>\$162,813</b>	
Portfolio weighted average maturity (In days)		685

\*Excludes accrued interest receivable of \$866 thousand.

**PAICE Investments Asset Allocation:**



**Liabilities:**

**Port Authority liabilities** totaled \$28.9 billion at March 31, 2016, a decrease of \$137 million from December 31, 2015. This decrease was primarily due to the refunding of \$335.9 million of consolidated bonds in January 2016. Offsetting this amount was a \$90 million increase in accrued interest related to outstanding debt obligations primarily due to the timing of scheduled debt service payments, and a \$62 million increase in accrued payroll and other employee benefits due to the timing related to scheduled pay periods.

Included in total liabilities are Port Authority bonds and other asset financing obligations totaling \$23.9 billion at March 31, 2016. A summary of outstanding bonds and other asset financing obligations follows:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**Bonds and Other Financing Obligations\***

	Opening Balance Dec. 31, 2015	Issued/ Accrued	Refunded/ Retired	Ending Balance Mar. 31, 2016
	(In millions)			
Consolidated Bonds and Notes	\$ 21,020	\$ -	\$ 336	\$ 20,684
Commercial Paper Notes	426	447	419	454
Variable Rate Master Notes	78	-	-	78
Fund for Regional Development Buy-Out Obligation	254	-	21	233
MOTBY Obligation	44	-	-	44
Goethals Bridge Replacement Obligation	431	31	-	462
Tower 4 Liberty Bonds	1,225	-	-	1,225
Subtotal-Principal	\$ 23,478	\$ 478	\$ 776	\$ 23,180
Add: Unamortized premium/(discount)	790	-	13	777
<b>Total</b>	<b>\$ 24,268</b>	<b>\$ 478</b>	<b>\$ 789</b>	<b>\$ 23,957</b>

\*Excludes amounts payable associated with Special Project Bond projects of \$1.4 billion.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in the first quarter of 2016 remained the same when compared to December 2015. During the first quarter of 2016, Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook stable.

<b>Obligation</b>	<b>S&amp;P</b>	<b>Fitch Ratings</b>	<b>Moody's Investors Service</b>
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

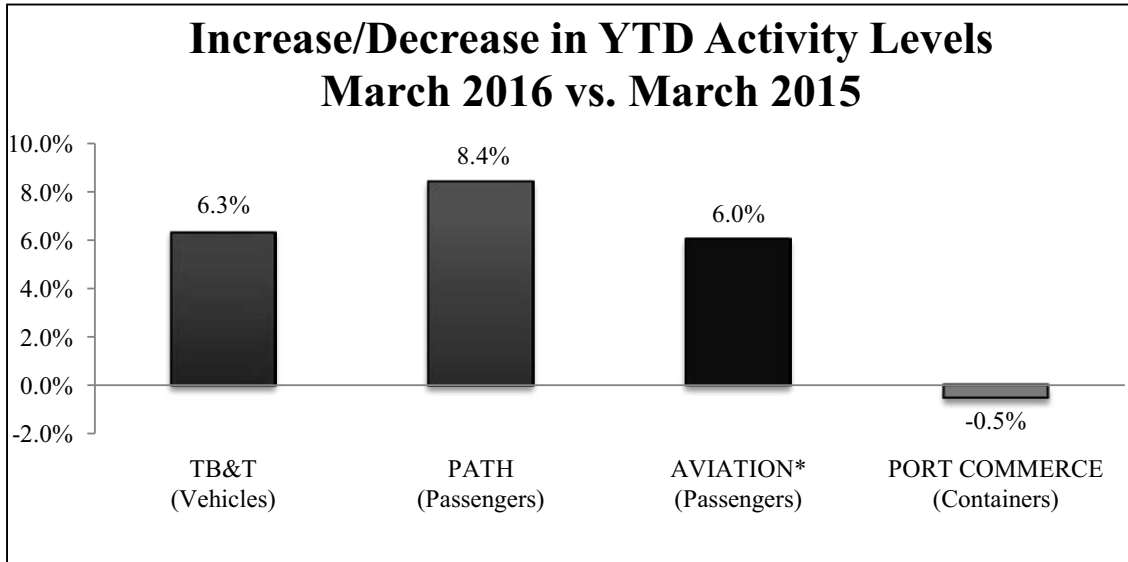
Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price.

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**5. FACILITY TRAFFIC**



\*Excludes Atlantic City International Airport passenger activity.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION – UNAUDITED\***

	MARCH 31, 2016	DECEMBER 31, 2015
(In thousands)		
<b>Assets</b>		
Facilities, net	\$ 33,040,506	\$ 32,666,774
Cash, including restricted amounts	1,243,681	1,347,698
Port Authority investments	4,903,151	5,019,418
PAICE restricted investments	163,679	184,633
Receivables, including restricted amounts	642,268	560,290
Amounts receivable - Special Project Bonds projects	1,436,176	1,435,940
Amounts receivable - Tower 4 Liberty Bonds	1,247,320	1,247,473
Unamortized costs for regional programs	264,683	280,874
Other assets	1,577,398	1,605,142
Total assets	<u>44,518,862</u>	<u>44,348,242</u>
<b>Deferred outflows of resources</b>		
Loss on debt refundings	89,468	97,337
Pension related amounts	155,259	155,259
Total deferred outflows of resources	<u>244,727</u>	<u>252,596</u>
<b>Liabilities</b>		
Bonds and other asset financing obligations	22,709,816	23,020,394
Amounts payable - Special Project Bonds projects	1,436,176	1,435,940
Amounts payable - Tower 4 Liberty Bonds	1,247,320	1,247,473
Accounts payable	1,072,972	1,071,047
Accrued payroll, pension and other employee benefits	730,031	666,468
Unearned income related to WTC Retail	702,654	704,697
Accrued interest and other liabilities	1,006,245	896,174
Total liabilities	<u>28,905,214</u>	<u>29,042,193</u>
<b>Deferred inflows of resources</b>		
Gain on debt refundings	21,177	21,527
Pension related amounts	7,555	7,555
Total deferred inflows of resources	<u>28,732</u>	<u>29,082</u>
<b>Net position</b>	<u>\$ 15,829,643</u>	<u>\$ 15,529,563</u>

**CONDENSED CONSOLIDATED STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION – UNAUDITED\***

	THREE-MONTHS ENDED MARCH 31, 2016	2015
(In thousands)		
Gross operating revenues	\$ 1,212,710	\$ 1,119,637
Operating expenses	(690,478)	(725,488)
Depreciation and amortization	(295,034)	(273,026)
Net revenue related to Superstorm Sandy	-	41
Income from operations	<u>227,198</u>	<u>121,164</u>
Non-operating expenses, net	(182,161)	(167,599)
Capital contributions and PFC's	255,043	209,508
Income/(Loss) from non-operating activities	<u>72,882</u>	<u>41,909</u>
<b>Increase in net position</b>	<u>\$ 300,080</u>	<u>\$ 163,073</u>
Net position, January 1	<u>15,529,563</u>	<u>14,774,540</u>
<b>Net position, March 31</b>	<u>\$ 15,829,643</u>	<u>\$ 14,937,613</u>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

---

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED\***

	<b>THREE-MONTHS ENDED MARCH 31,</b>	
	<b>2016</b>	<b>2015</b>
	(In thousands)	
Net cash provided by operating activities	\$ 550,716	\$ 373,776
Net cash (used for) noncapital financing activities	(10,700)	(44,035)
Net cash (used for) capital construction and related financing activities	(808,749)	(514,851)
Net cash provided for investing activities	<u>164,716</u>	<u>299,079</u>
Net (decrease)/increase in cash	(104,017)	113,969
Cash at beginning of year	<u>1,347,698</u>	<u>1,845,491</u>
Cash at three-months ended	<u>\$ 1,243,681</u>	<u>\$ 1,959,460</u>

\* The unaudited Condensed Consolidated Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with accounting principles generally accepted in the United States of America. This unaudited condensed financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2015.



**CONDENSED CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES - UNAUDITED**

(In thousands)

**Three-month period ended March 31, 2016**

	<b>Gross Operating Revenues</b>	<b>Operating Expenses</b>	<b>Depreciation and Amortization</b>	<b>Income/(Loss) from Operations</b>	<b>Interest, Grants &amp; Other Expenses *</b>	<b>Capital Contributions and PFC's</b>	<b>Increase/(Decrease) in Net Position</b>
Tunnels, Bridges, and Terminals	\$ 401,447	\$118,357	\$ 46,524	\$236,566	\$ 22,312	\$ 497	\$214,751
PATH	44,941	99,244	44,559	(98,862)	37,511	80,020**	(56,353)
Aviation	634,719	371,158	109,293	154,268	39,272	78,025	193,021
Port Commerce	66,869	34,326	23,002	9,541	19,820	3,867	(6,412)
World Trade Center	58,232	64,810	49,858	(56,436)	54,390	92,634	(18,192)
Other***	6,502	2,583	21,798	(17,879)	8,856	-	(26,735)
Net Revenue related to Superstorm Sandy	-	-	-	-	-	-	-
<b>Increase in net position</b>	<b>\$1,212,710</b>	<b>\$690,478</b>	<b>\$295,034</b>	<b>\$227,198</b>	<b>\$182,161</b>	<b>\$255,043</b>	<b>\$300,080</b>

**Three-month period ended March 31, 2015**

	<b>Gross Operating Revenues</b>	<b>Operating Expenses</b>	<b>Depreciation and Amortization</b>	<b>Income/(Loss) from Operations</b>	<b>Interest, Grants &amp; Other Expenses *</b>	<b>Capital Contributions and PFC's</b>	<b>Increase/(Decrease) in Net Position</b>
Tunnels, Bridges, and Terminals	\$352,822	\$125,162	\$ 39,295	\$188,365	\$ 21,040	\$ 1,170	\$168,495
PATH	41,680	96,530	41,998	(96,848)	17,627	73,737**	(40,738)
Aviation	610,416	395,739	104,679	109,998	54,724	77,413	132,687
Port Commerce	65,065	42,169	21,401	1,495	21,083	758	(18,830)
World Trade Center	43,110	61,858	43,618	(62,366)	41,671	56,430	(47,607)
Other***	6,544	4,030	22,035	(19,521)	11,454	-	(30,975)
Net Revenue related to Superstorm Sandy	-	-	-	41	-	-	41
<b>Increase in net position</b>	<b>\$1,119,637</b>	<b>\$725,488</b>	<b>\$273,026</b>	<b>\$121,164</b>	<b>\$167,599</b>	<b>\$ 209,508</b>	<b>\$ 163,073</b>

\* Amounts include allocated net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Grants in connection with operating activities, Pass-through grant program payments; and gains or losses generated by the disposition of assets, if any.

\*\* PATH Capital Contributions include Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub.

\*\*\* Other includes Development Facilities, Regional Facilities and Programs, Ferry Transportation, Access to the Regions Core and PAICE.

Note: These unaudited schedules related to Port Authority Facilities have been prepared, subject to audit, adjustment and reconciliation, solely for general information purpose, in accordance with accounting principles generally accepted in the United States of America. This unaudited financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2015.

---

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

# The Port Authority of New York and New Jersey

Consolidated Financial Statements as of and for the  
Years Ended December 31, 2015 and December 31,  
2014, and the notes, schedules and other  
supplementary information, and independent auditors'  
report pertaining thereto

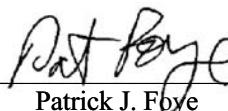
**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**CERTIFICATE WITH RESPECT TO  
2015 CONSOLIDATED FINANCIAL STATEMENTS**

We, the undersigned officers of The Port Authority of New York and New Jersey, hereby certify in connection with the release of the consolidated financial statements of The Port Authority of New York and New Jersey (the "Authority") and its component units for the years ended December 31, 2015 and December 31, 2014 (the "Financial Statements") on March 7, 2016 that (a) to the best of our knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the Financial Statements are accurate in all material respects and was reported in a manner designed to present fairly the Authority's net position, changes in net position, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and (b) on the basis that the cost of internal controls should not outweigh their benefits, the Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Financial Statements in conformity with accounting principles generally accepted in the United States of America.

Dated:       New York, New York  
              March 7, 2016



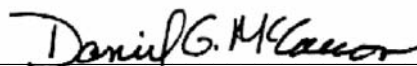
---

Patrick J. Foye  
Executive Director



---

Elizabeth M. McCarthy  
Chief Financial Officer



---

Daniel G. McCarron  
Comptroller

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154-0102

**Independent Auditors' Report**

Board of Commissioners  
The Port Authority of New York and New Jersey:

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated statements of net position of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2015 and 2014, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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

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

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

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net position of the Port Authority as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matter***

*Adoption of New Accounting Pronouncements*

As discussed in Note A.3.n to the financial statements, as of January 1, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the schedules listed under the heading Required Supplementary Information within the table of contents, be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits for the years ended December 31, 2015 and 2014 were conducted for the purpose of forming an opinion on the Port Authority's consolidated financial statements. The supplementary information included in Schedules D-1, D-2, D-3, E and F, as listed in the table of contents, related to the years ended December 31, 2015 and 2014 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements for the years

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---



ended December 31, 2015 and 2014, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1, D-2, D-3, E and F related to the years ended December 31, 2015 and 2014 is fairly stated, in all material respects, in relation to the 2015 and 2014 consolidated financial statements, respectively, as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of the Port Authority as of and for the years ended December 31, 2013 and 2012 (not presented herein), and have issued our report thereon dated March 6, 2014 and February 25, 2013, respectively, which contained an unmodified opinion on the respective consolidated financial statements. The supplementary information included in Schedules D-1 and D-2, as listed in the table of contents, for the years ended December 31, 2013 and 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 and 2012 consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the 2013 and 2012 consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those consolidated financial statements or to those consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1 and D-2 related to the years ended December 31, 2013 and 2012 is fairly stated, in all material respects, in relation to the 2013 and 2012 consolidated financial statements as a whole.

The Port Authority's consolidated financial statements for the years ended December 31, 2006 through 2011 (not presented herein) were audited by other auditors whose reports thereon expressed unmodified opinions on those respective consolidated financial statements. The reports of the other auditors on these consolidated financial statements stated that the supplementary information included in Schedules D-1 and D-2 for fiscal years 2006 through 2011, was subjected to the auditing procedures applied in the audit of the respective consolidated financial statements and, in their opinion, was fairly stated in all material respects in relation to the respective consolidated financial statements.

The supplementary information included in Schedule D-3 for fiscal years 2006 through 2013 and Schedule G, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



**Report on Financial Statements Prepared in Accordance with Port Authority Bond Resolutions**

We have audited the accompanying Schedules A, B and C of the Port Authority, which comprise financial statements that present the assets and liabilities as of December 31, 2015, and the revenues and reserves for the year then ended, prepared in accordance with the requirements of the Port Authority's bond resolutions.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Port Authority's bond resolutions; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Port Authority as of December 31, 2015, and its revenues and reserves for the year then ended in accordance with the requirements of the Port Authority's bond resolutions.

***Report on Summarized Comparative Information***

We have previously audited Schedules A, B and C prepared in accordance with the requirements of the Port Authority's bond resolutions as of and for the year ended December 31, 2014, and we expressed an unmodified audit opinion on them in our report dated March 13, 2015. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2014 from which it has been derived.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---



***Emphasis of Matter***

*Basis of Accounting*

We draw attention to Note A.4 of the consolidated financial statements, which describes the basis of accounting used in Schedules A, B and C. Schedules A, B and C are prepared by the Port Authority based on the requirements present in its bond resolutions, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***Restriction on Use***

Our report on Schedules A, B, and C is intended solely for the information and use of the Port Authority and those who are a party to the Port Authority's bond resolutions, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

New York, New York  
March 7, 2016



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
Years ended December 31, 2015 and 2014**

**Introduction**

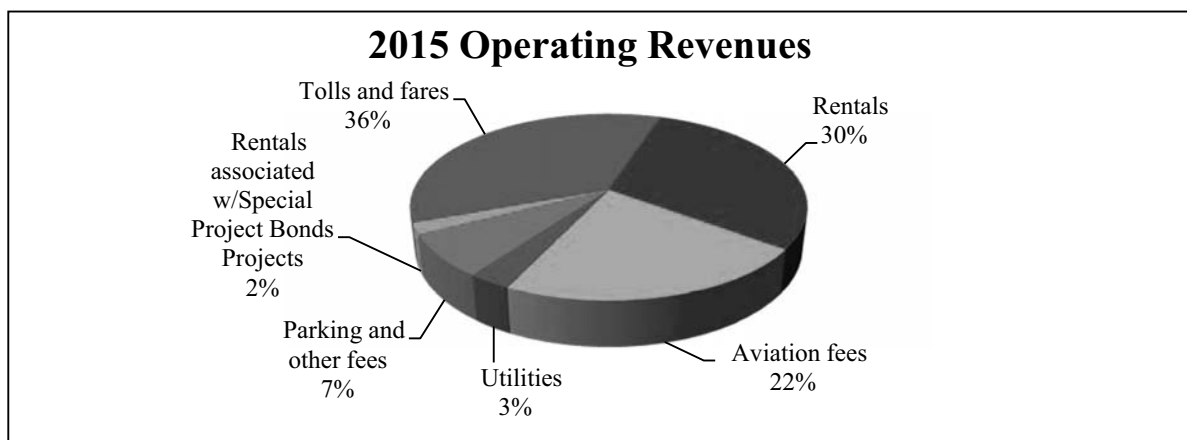
The following discussion and analysis of the financial activities of The Port Authority of New York and New Jersey (The Port Authority) and its component units described herein (See *Note A.1.d – Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2015, with selected comparative information for the years ended December 31, 2014 and December 31, 2013. This section has been prepared by management of the Port Authority and should be read in conjunction with the consolidated financial statements and appended note disclosures that follow this section.

**2015 Financial Results**

The Port Authority’s increase in net position for the year ended December 31, 2015 totaled \$780 million, comprised of \$737 million in income from operations and \$43 million in income from non-operating activities.

Description	2015
	(In thousands)
Gross operating revenues	\$ 4,826,582
Operating expenses	(2,900,652)
Depreciation and amortization	(1,189,048)
Net revenue related to Superstorm Sandy	123
Income from operations	737,005
Non-operating expenses, net	(792,214)
Capital contributions and Passenger Facility Charges (PFCs)	835,002
Income from non-operating activities	42,788
<b>Increase in net position</b>	<b>\$ 779,793</b>

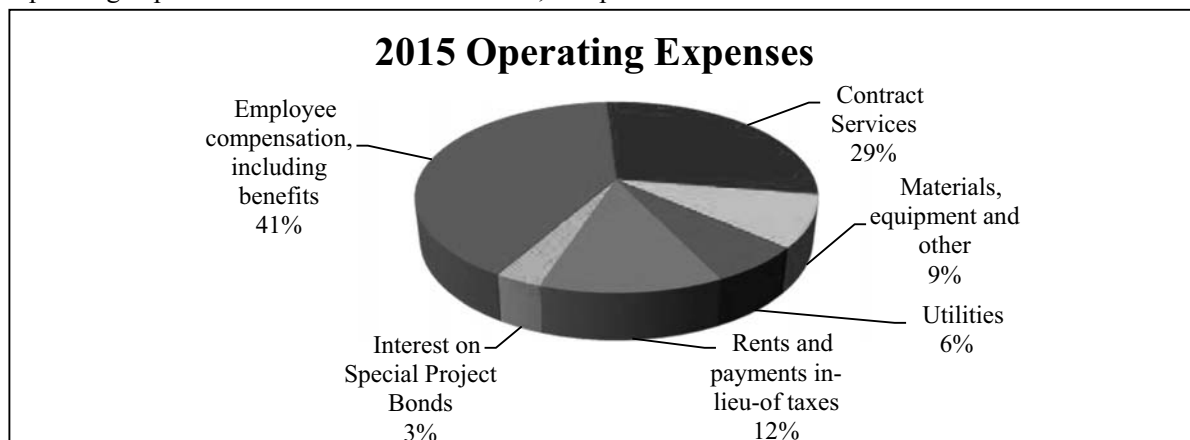
Gross operating revenues totaled \$4.8 billion in 2015, comprised of:



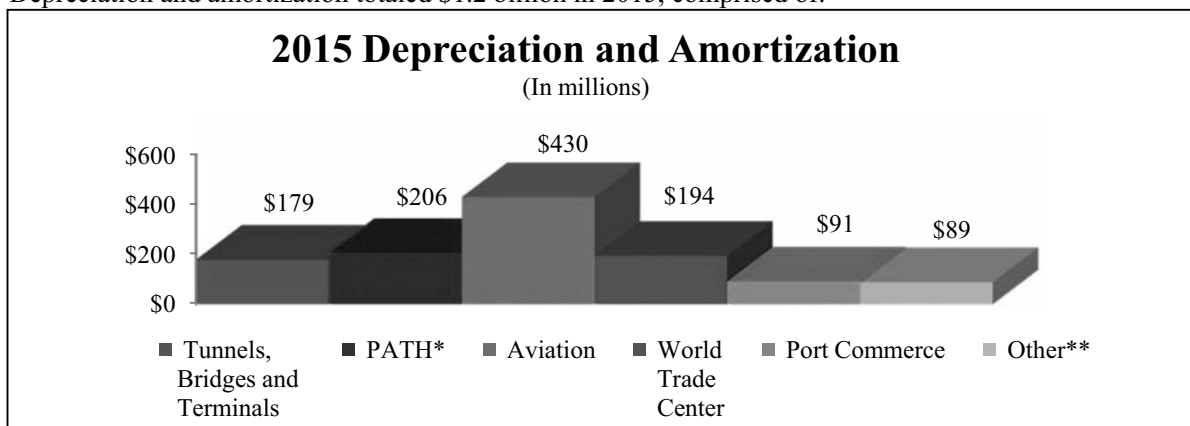
**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management's Discussion and Analysis (Unaudited)  
(continued)**

Operating expenses totaled \$2.9 billion in 2015, comprised of:



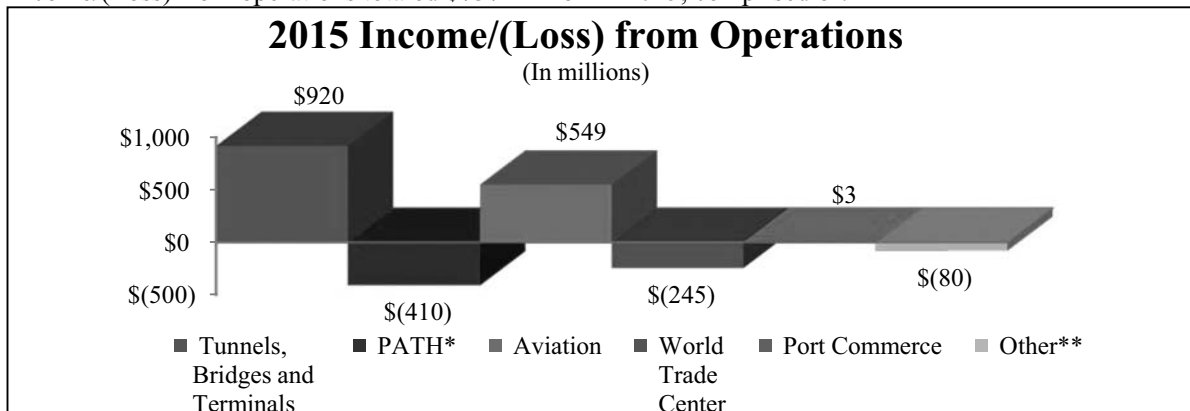
Depreciation and amortization totaled \$1.2 billion in 2015, comprised of:



\*PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation Facilities.

Income/(Loss) from operations totaled \$737 million in 2015, comprised of:



\*PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation Facilities and Net revenues related to Superstorm Sandy.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Management's Discussion and Analysis (Unaudited)  
(continued)**

---

Income/(Loss) from non-operating activities totaled \$43 million in 2015, comprised of:

	<b>2015</b>
	(In millions)
Contributions in aid of construction, PFCs and pass-through amounts	\$ 784
Grants in connection with operating activities	101
Financial income, including increases in fair value of investments	31
Interest expense in connection with bonds and other asset financings, net*	(873)
<b>Income/(Loss) from non-operating activities</b>	<b>\$ 43</b>

\*Net of \$37 million reimbursement related to Tower 4 Liberty Bonds debt service payments.

**Financial Statement Comparison for the Years Ended December 31, 2015, December 31, 2014 and December 31, 2013**

Management's discussion and analysis is intended to serve as an introduction to the Port Authority's consolidated financial statements, including the notes to the consolidated financial statements, required supplementary information, financial schedules pursuant to Port Authority bond resolutions, and statistical and other supplemental information. The consolidated financial statements comprise the following: the Consolidated Statements of Net Position, the Consolidated Statements of Revenues, Expenses and Changes in Net Position, the Consolidated Statements of Cash Flows, and the Notes to the Consolidated Financial Statements.

**Consolidated Statements of Net Position**

The Consolidated Statements of Net Position present the financial position of the Port Authority at the end of the fiscal year and include all of the Port Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as applicable. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. A summarized comparison of the Port Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position follows:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management's Discussion and Analysis (Unaudited)  
(continued)**

	2015	2014*	2013*
	(In thousands)		
<b>ASSETS</b>			
Current assets	\$ 3,779,062	\$ 2,845,980	\$ 3,497,235
Noncurrent assets:			
Facilities, net	32,666,774	30,773,475	27,645,980
Other noncurrent assets	7,902,406	7,974,599	7,219,567
Total assets	44,348,242	41,594,054	38,362,782
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refundings	97,337	108,447	108,657
Pension related amounts	155,259	-	-
Total deferred outflows of resources	252,596	108,447	108,657
<b>LIABILITIES</b>			
Current liabilities	3,546,341	3,036,635	3,089,787
Noncurrent liabilities:			
Bonds and other asset financing obligations	21,533,822	19,920,820	18,253,600
Other noncurrent liabilities	3,962,030	3,963,585	3,391,120
Total liabilities	29,042,193	26,921,040	24,734,507
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on debt refundings	21,527	6,921	8,605
Pension related amounts	7,555	-	-
Total deferred inflows of resources	29,082	6,921	8,605
<b>NET POSITION</b>			
Net investment in capital assets	11,810,573	10,402,894	9,442,138
Restricted	456,429	470,857	454,467
Unrestricted	3,262,561	3,900,789	3,831,722
Net position, December 31	\$ 15,529,563	\$ 14,774,540	\$ 13,728,327

\*Amounts have not been restated for the effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements, as described in *Note A.3.n - Nature of the Organization and Summary of Significant Accounting Policies*.

Port Authority assets totaled \$44.3 billion at December 31, 2015, an increase of \$2.8 billion from December 31, 2014. This increase was primarily due to:

- Facilities, net, including contributed capital amounts, increased \$1.9 billion resulting from the continued capital investment in Port Authority facilities (see *Schedule F - Information on Capital Investment in Port Authority Facilities* for additional information on capital investment by business segment).
- Cash balances, including restricted amounts decreased \$498 million during 2015 primarily due to \$2.5 billion in cash used for capital construction, \$1.3 billion related to debt service on outstanding debt obligations and the reallocation of approximately \$400 million in cash equivalents to higher yielding United States (U.S.) securities. Offsetting these amounts was a \$1.8 billion increase in cash from operations, \$1.5 billion net increase in cash related to consolidated bond proceeds issued for purposes of funding capital construction or refunding existing debt obligations and \$545 million related to the receipt of capital contributions and Passenger Facility Charges (for additional information see Consolidated Statements of Cash Flows).

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

- Current and noncurrent investments increased \$1.5 billion primarily due to a \$1.1 billion increase in securities purchased with consolidated bond proceeds that are being invested on an interim basis until they are needed for their intended purpose of funding capital construction or refunding outstanding debt obligations and the reallocation of approximately \$400 million of cash equivalents to higher yielding U.S. securities.

Port Authority liabilities totaled \$29 billion at December 31, 2015, an increase of \$2.1 billion from December 31, 2014. This increase was primarily due to:

- Bonds and other asset financing obligations, including discounts and premiums related to bond issuances, increased \$2.2 billion primarily due to the issuance of consolidated bonds in connection with expected capital construction funding requirements or for purposes of refunding certain outstanding consolidated bonds.
- Accounts payable decreased \$218 million primarily due to the decrease in construction accruals relating to capital projects at the Lincoln Tunnel and George Washington Bridge.
- Accrued pension and other post employment employee benefits increased \$40 million primarily due to the recognition of the Port Authority’s proportionate share of the net pension liability of the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System, along with the net pension liability related to the PATH Exempt Employees Supplemental Pension Plan recognized in accordance with *GASB Statement No. 68 – Accounting and Reporting for Pensions*, which became effective in 2015. Offsetting these increases was an \$83 million net decrease in Other Post Employment Benefits (OPEB) obligations, primarily due to advanced fundings made to The Port Authority of New York and New Jersey Retiree Health Benefits Trust. For additional information related to pension obligations and OPEB, see *Note I – Pension Plans* and *Note J – Other Postemployment Employee Benefits*.

**Consolidated Statements of Revenues, Expenses and Changes in Net Position**

Change in net position is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Consolidated Statements of Revenues, Expenses and Changes in Net Position:

	2015	2014*	2013*
		(In thousands)	
Gross operating revenues	<b>\$ 4,826,582</b>	\$ 4,481,812	\$ 4,184,039
Operating expenses	<b>(2,900,652)</b>	(2,923,254)	(2,596,268)
Depreciation and amortization	<b>(1,189,048)</b>	(996,633)	(940,254)
Net revenue related to Superstorm Sandy	<b>123</b>	53,530	28,229
Income from operations	<b>737,005</b>	615,455	675,746
Non-operating expenses, net	<b>(792,214)</b>	(502,681)	(562,101)
Capital contributions and PFCs	<b>835,002</b>	933,439	914,199
Increase in net position	<b>\$ 779,793</b>	\$ 1,046,213	\$1,027,844

\*Amounts have not been restated for the effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements, as described in *Note A.3.n - Nature of the Organization and Summary of Significant Accounting Policies*.

Additional information on individual facility financial results can be found in *Schedule E – Information on Port Authority Operations* located in the Statistical and Other Supplemental Information section of this report.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

**Operating Revenues**

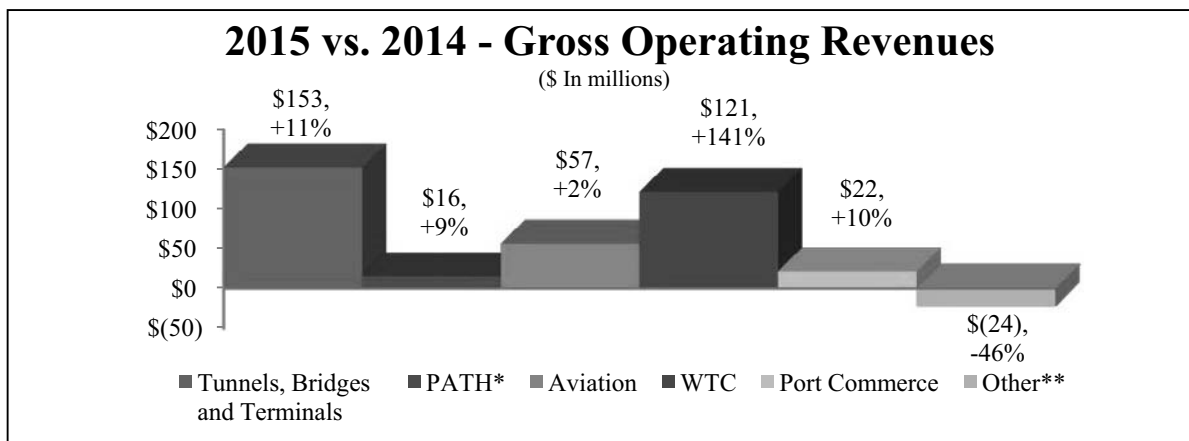
A summary of gross operating revenues follows:

	2015	2014	2013
	(In thousands)		
Gross operating revenues:			
Tolls and fares	\$ 1,718,770	\$ 1,553,625	\$ 1,462,957
Rentals	1,446,980	1,300,818	1,228,491
Aviation fees	1,063,902	1,058,416	934,459
Parking and other	359,631	321,760	315,111
Utilities	144,580	149,052	139,835
Rentals - Special Project Bonds Projects	92,719	98,141	103,186
<b>Total</b>	<b>\$ 4,826,582</b>	<b>\$ 4,481,812</b>	<b>\$ 4,184,039</b>

**2015 vs. 2014**

Gross operating revenues of \$4.8 billion increased \$345 million or 7.7% from 2014. Toll revenue at the Port Authority’s six (6) vehicular crossings increased \$149 million, primarily due to scheduled increases in tolling rates that became effective in December 2014 and December 2015, respectively, and an overall increase in vehicular traffic of 1.7%. Port Authority Trans-Hudson Corporation (PATH) fares increased \$16 million, primarily due to scheduled increases in PATH fares that became effective in October 2014 and a 3.9% increase in ridership levels. Rental income increased \$146 million primarily due to increases in fixed and percentage rentals related to One World Trade Center (WTC), One WTC Observation Deck, which opened to the public in 2015, and Aviation facilities.

The following chart depicts the 2015 overall change in total gross operating revenues by business segment:



\* PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

**2014 vs. 2013**

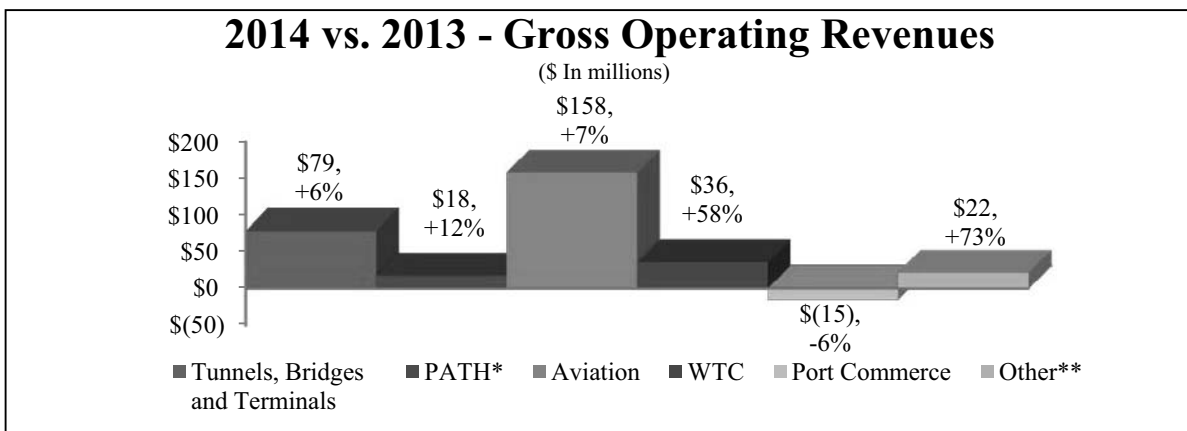
Gross operating revenues of \$4.5 billion increased \$298 million or 7% from 2013. Tunnel and Bridge revenues generated at the Port Authority’s six (6) vehicular crossings increased \$74 million in 2014 due to increases in tolling rates that became effective in December 2013 and December 2014, respectively. Partially offsetting these toll rate increases was an overall decline in vehicular traffic of 1.4%. Aviation

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

revenues increased \$158 million in 2014 primarily due to an increase in Aviation Fees which are formulaically calculated based on capital investment and operating and maintenance expenses incurred by the Port Authority at certain aviation facilities. WTC revenues increased \$36 million primarily due to rental income related to occupied office space in One WTC.

The following chart depicts the 2014 overall change in total gross operating revenues by business segment:



\*PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

**Operating Expenses**

A summary of operating expenses follows:

	2015	2014	2013
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	\$ 1,178,967	\$1,187,877	\$1,114,397
Contract services	833,903	797,516	684,411
Rents and amounts in-lieu-of taxes (PILOT)	356,162	362,627	301,582
Materials, equipment and other	252,071	277,174	220,859
Utilities	186,830	199,919	171,833
Interest on Special Project Bonds	92,719	98,141	103,186
<b>Total</b>	<b>\$ 2,900,652</b>	<b>\$2,923,254</b>	<b>\$2,596,268</b>

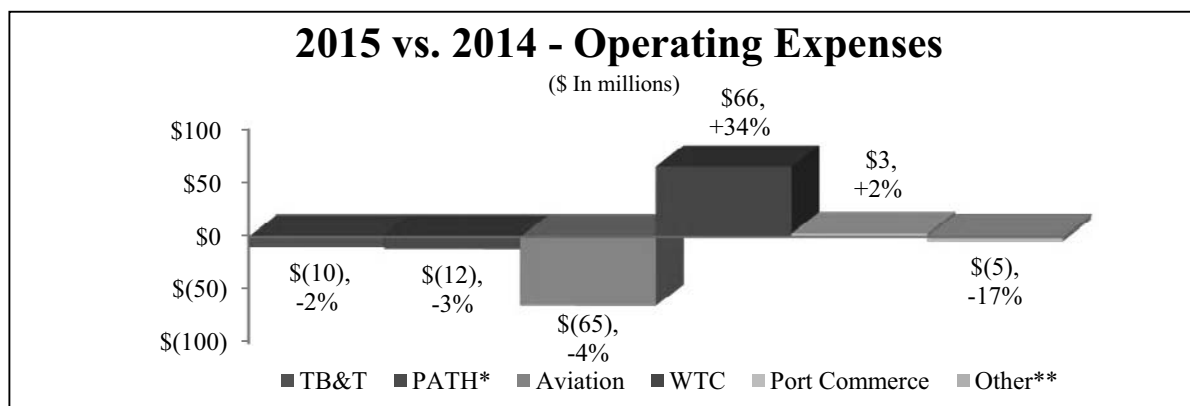
**2015 vs. 2014**

Operating expenses totaled \$2.9 billion in 2015, a decrease of \$23 million or 1% from 2014. Operating expenses at Aviation, Tunnels, Bridges and Terminals (TB&T), Development Facilities and PATH decreased approximately \$89 million from 2014, primarily due to lower self-insured public liability and workers compensation loss reserves, lower overtime related to policing activities due to the addition of new police officers, lower employee compensation and third party contractor payments related to snow removal activities due to less severe winter weather conditions throughout 2015, and lower corporate overhead related to rent for vacated corporate offices. Offsetting these decreases was a \$66 million increase in WTC operating expenses, including PILOT to the City of New York, primarily related to the continued transitioning of the World Trade Center to a fully operational facility.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

The following chart depicts the 2015 overall change in total operating expenses by business segment:



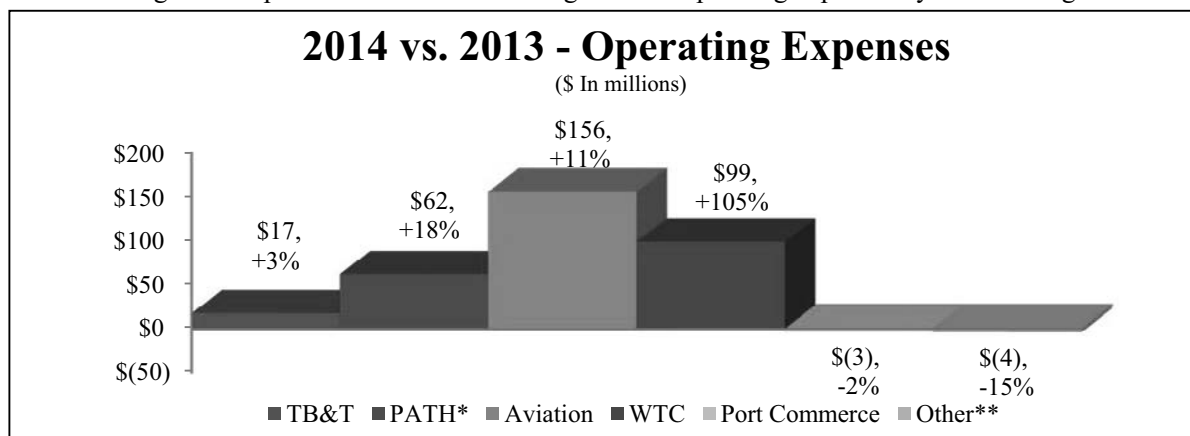
\* PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation Facilities.

**2014 vs. 2013**

Operating expenses totaled \$2.9 billion in 2014, a \$327 million or 12.6% increase from 2013. This overall increase in operating expenses was primarily related to a \$37 million increase in snow and ice removal operations at Port Authority facilities due to inclement weather conditions in the first quarter of 2014, a \$55 million increase in aircraft rescue and fire fighting (ARFF) activities related to the creation of dedicated ARFF cadres at certain aviation facilities, a \$99 million increase in expenses associated with transitioning certain components of the World Trade Center site to a fully operational status, a \$20 million increase relating to self insured public liability and workers compensation loss reserves, a \$39 million increase in PATH operating costs related to Super Bowl and Pulaski Skyway regional support activities and a \$31 million increase from accelerated rental expense related to vacated temporary corporate offices. Offsetting these increases was a \$35 million decrease in public safety expenditures.

The following chart depicts the 2014 overall change in total operating expenses by business segment:



\* PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation Facilities.



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

**Depreciation and Amortization**

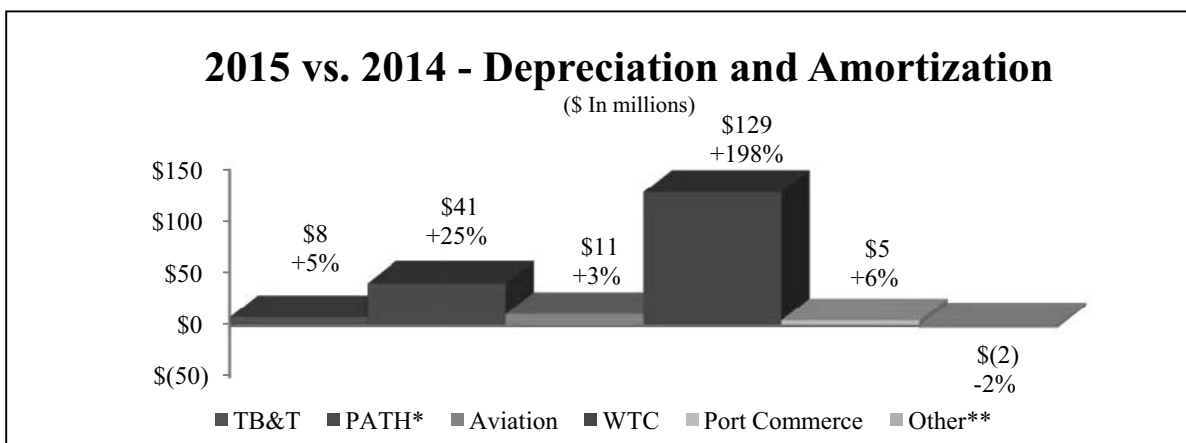
A summary of depreciation and amortization follows:

	2015	2014	2013
	(In thousands)		
Depreciation and amortization:			
Depreciation of facilities	<b>\$1,124,383</b>	\$ 932,149	\$ 875,979
Amortization of costs for regional programs	<b>64,665</b>	64,484	64,275
<b>Total</b>	<b>\$1,189,048</b>	\$ 996,633	\$ 940,254

**2015 vs. 2014**

Depreciation and amortization of \$1.2 billion increased \$192 million primarily due to the completion of \$3.4 billion in 2015 and \$6.9 billion in 2014, of capital investments that are ready for their intended use. These completed capital projects, primarily located at the WTC, are being depreciated over their estimated useful life on a straight-line basis.

The following chart depicts the 2015 overall change in total depreciation by business segment:



\* PATH includes WTC Transportation Hub.

\*\* Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation Facilities.

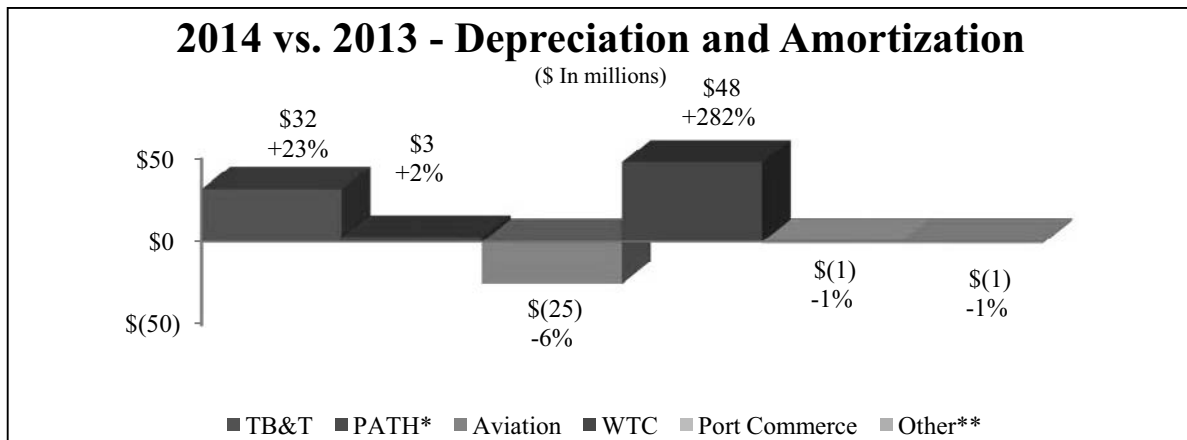
**2014 vs. 2013**

Depreciation and amortization of \$997 million increased \$56 million primarily due to the impact of transferring \$6.9 billion of capital investment to completed construction in 2014 that were primarily related to certain elements of the World Trade Center becoming ready for their intended use. These capital investments are being depreciated over their estimated useful life on a straight-line basis.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

The following chart depicts the 2014 overall change in total depreciation by business segment:



\* PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation Facilities.

**Net revenues related to Superstorm Sandy**

**2015 vs. 2014**

Net revenues related to Superstorm Sandy decreased \$53.4 million in 2015 due to a decrease in insurance recoveries from participating insurance carriers related to the events of Superstorm Sandy. The Port Authority is currently engaged in discussions with participating insurers to close out WTC related insurance claims resulting from the events of Superstorm Sandy. As of December 31, 2015, the Port Authority has received approximately \$563 million in insurance recoveries related to Superstorm Sandy (see *Note K.6 – Commitments and Certain Charges to Operations*).

**2014 vs. 2013**

Net revenues related to Superstorm Sandy increased \$25.3 million in 2014 due to lower write-offs related to capital investment that was destroyed or impaired as a result of Superstorm Sandy, partially offset by a decrease in insurance recoveries (see *Note K.6 – Commitments and Certain Charges to Operations*).

**Income from Operations**

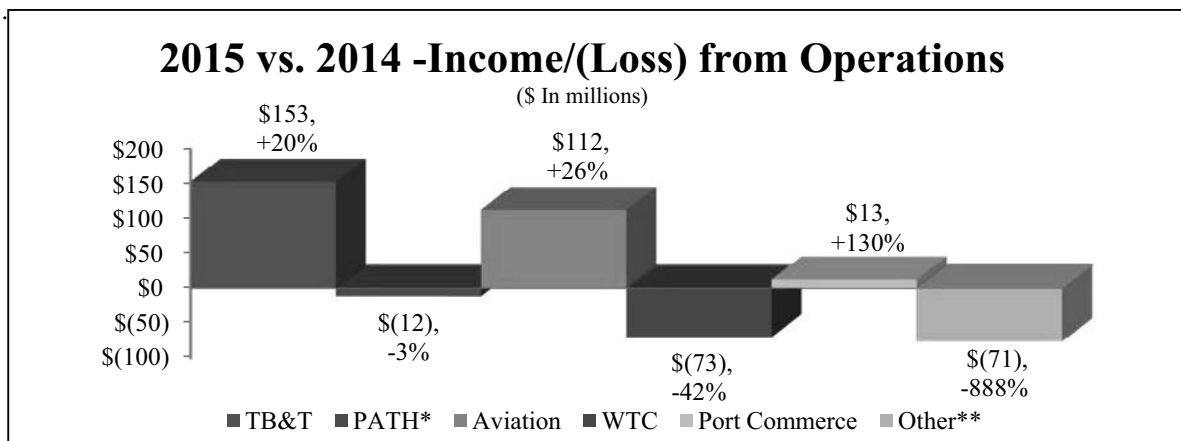
Income from operations represents the difference between gross operating revenues, and the sum of operating expenses, depreciation and amortization and net revenues related to Superstorm Sandy.

**2015 vs. 2014**

Income from operations of \$737 million increased \$122 million in 2015 primarily due to increases in tolls at the Port Authority’s six (6) vehicular crossings, PATH fares and fixed and activity-based rentals at the WTC and Aviation facilities. Offsetting these amounts were increases in depreciation expense, primarily related to completed WTC capital assets and lower insurance recoveries related to Superstorm Sandy.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management's Discussion and Analysis (Unaudited)  
(continued)**

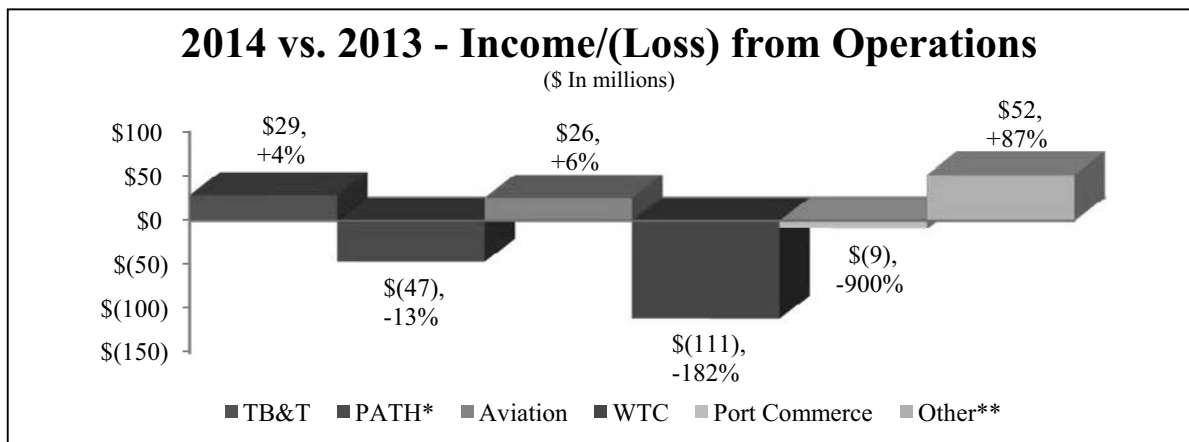


\* PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation Facilities, and Net revenues related to Superstorm Sandy.

**2014 vs. 2013**

Income from operations of \$615 million declined \$60 million in 2014 primarily due to increases in depreciation and operating expenses relating to the transition of certain components of the WTC site to an operational status.



\* PATH includes WTC Transportation Hub.

\*\*Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation Facilities, and Net revenues related to Superstorm Sandy.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management's Discussion and Analysis (Unaudited)  
(continued)**

**Non-Operating Revenues and Expenses**

A summary of non-operating revenues and expenses follows:

	2015	2014	2013
		(In thousands)	
Non-operating revenues and (expenses):			
Financial income	\$ 45,268	\$ 41,050	\$ 35,036
Net (decrease) in fair value of investments	(14,290)	(2,950)	(26,428)
Interest expense in connection with bonds and other asset financings, net*	(872,837)	(660,116)	(586,693)
Net gain on disposition of assets	-	19,043	4,423
Pass-through grant program payments	(51,429)	(107,606)	(176,848)
Grants	101,074	207,898	188,409
<b>Non-operating expenses, net</b>	<b>\$ (792,214)</b>	<b>\$ (502,681)</b>	<b>\$ (562,101)</b>

\*Net of reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments.

**2015 vs. 2014**

- Financial income, comprised of interest income and changes in the fair value of investments decreased \$7.1 million, primarily due to a \$11.3 million decrease in market valuation adjustments associated with the fluctuation of interest rates and their impact on the fair value of the Port Authority's investment portfolio. Offsetting this decrease was a \$4.2 million increase in financial income related to the Port Authority's \$5 billion investment portfolio, which is primarily comprised of U.S. securities.
- Operating interest expense in connection with bonds and other asset financings increased \$213 million in 2015 primarily due to lower interest being allocated to capital projects still under construction, primarily at the WTC site.
- Grants in connection with operating activities decreased \$107 million in 2015 primarily due to a \$113 million decrease in U.S. Department of Homeland Security (DHS) funding for port security related projects and a \$19 million decrease in grants related to Superstorm Sandy recovery efforts.
- Pass-through grant program payments to sub-grantees decreased \$56 million in 2015 primarily due to decreased funding associated with baggage screening projects at aviation facilities and port security related projects sponsored by the Port Authority.

Pass-through grant program payments are offset in their entirety by either Contributions in aid of construction or Grants in connection with operating activities.

**2014 vs. 2013**

- Financial income, including interest income and changes to the fair value of investments increased \$29.4 million in 2014 primarily due to a \$23.4 million year-to-year increase in market valuation adjustments associated with the fluctuation of interest rates and their impact on the Port Authority's \$5.2 billion investment portfolio, which is primarily comprised of U.S. Treasury Notes.
- Interest expense in connection with bonds and other asset financings increased \$43 million in 2014 primarily due to lower capitalized interest related to ongoing construction projects.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Management's Discussion and Analysis (Unaudited)  
(continued)**

---

- Gains and losses related to the disposition of assets increased \$14.6 million due to the structured sale agreement of the Newark Legal Communications Center (NLCC).
- Grants in connection with operating activities increased \$19 million in 2014 primarily due to a \$66 million increase in DHS funding for port security related projects. Offsetting these amounts was a decrease in grants relating to Superstorm Sandy immediate repairs.
- Pass-through grant program payments to sub-grantees decreased \$69 million in 2014 primarily due to decreased funding associated with baggage screening projects at aviation facilities and port security related projects sponsored by the Port Authority.

Pass-through grant program payments are offset in their entirety by either Contributions in aid of construction or Grants in connection with operating activities.

**Capital Contributions and Passenger Facility Charges**

A summary of Capital Contributions and Passenger Facility Charges follows:

	2015	2014	2013
		(In thousands)	
Contributions in aid of construction	\$ 586,295	\$ 700,267	\$ 689,898
Passenger Facility Charges (PFC)	248,707	233,172	224,301
<b>Total</b>	<b>\$ 835,002</b>	<b>\$ 933,439</b>	<b>\$ 914,199</b>

**2015 vs. 2014**

Contributions in aid of construction and PFCs of \$835 million decreased \$98 million, primarily due to a decrease of \$80 million in New York State capital contributions related to the construction of WTC Tower 3 applied in 2014 and a \$71 million decrease in Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub. Offsetting these decreases was a \$79 million increase in Silverstein WTC net lessee capital contributions related to the construction of WTC Tower 3 and an \$18 million increase in Federal Emergency Management Agency (FEMA) contributions related to Superstorm Sandy permanent repair capital projects at PATH.

**2014 vs. 2013**

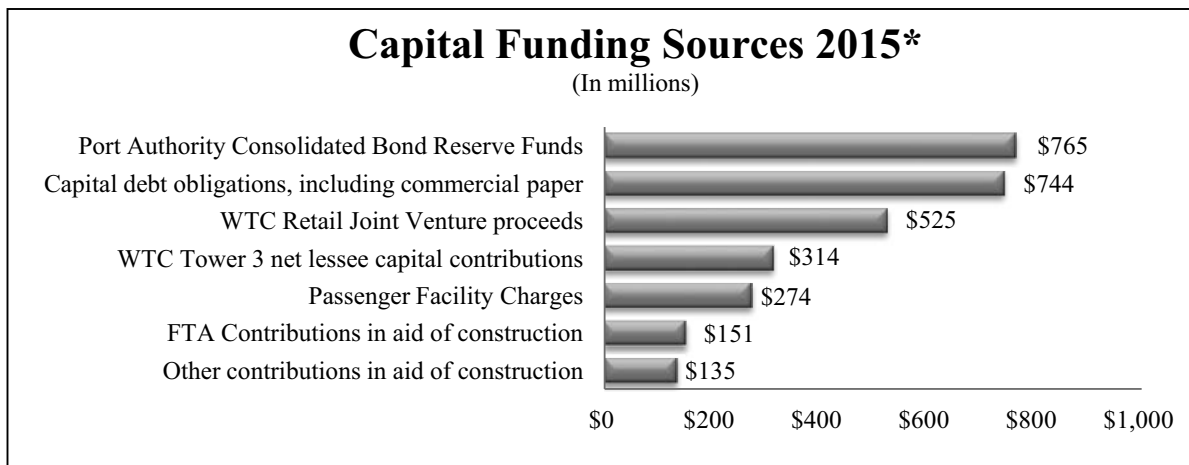
Contributions in aid of construction and PFCs of \$933 million increased \$19 million primarily due to a \$74 million increase in capital contributions from the Silverstein net lessees for the continued construction of WTC Towers 3 and 4, a \$9 million increase in Passenger Facility Charges due to increased passenger activity at aviation facilities and a \$10 million increase in FEMA reimbursements related to Superstorm Sandy permanent repairs. These increases were offset by a \$38 million decrease in FTA contributions relating to the construction of the WTC Transportation Hub. In addition, an \$80 million contribution in aid of construction was applied from New York State related to the construction of WTC Tower 3.

**Capital Construction Activities**

Port Authority capital investment including contributed capital and accrued amounts relating to capital construction totaled \$3.0 billion in 2015, \$4.1 billion in 2014, and \$3.0 billion in 2013.

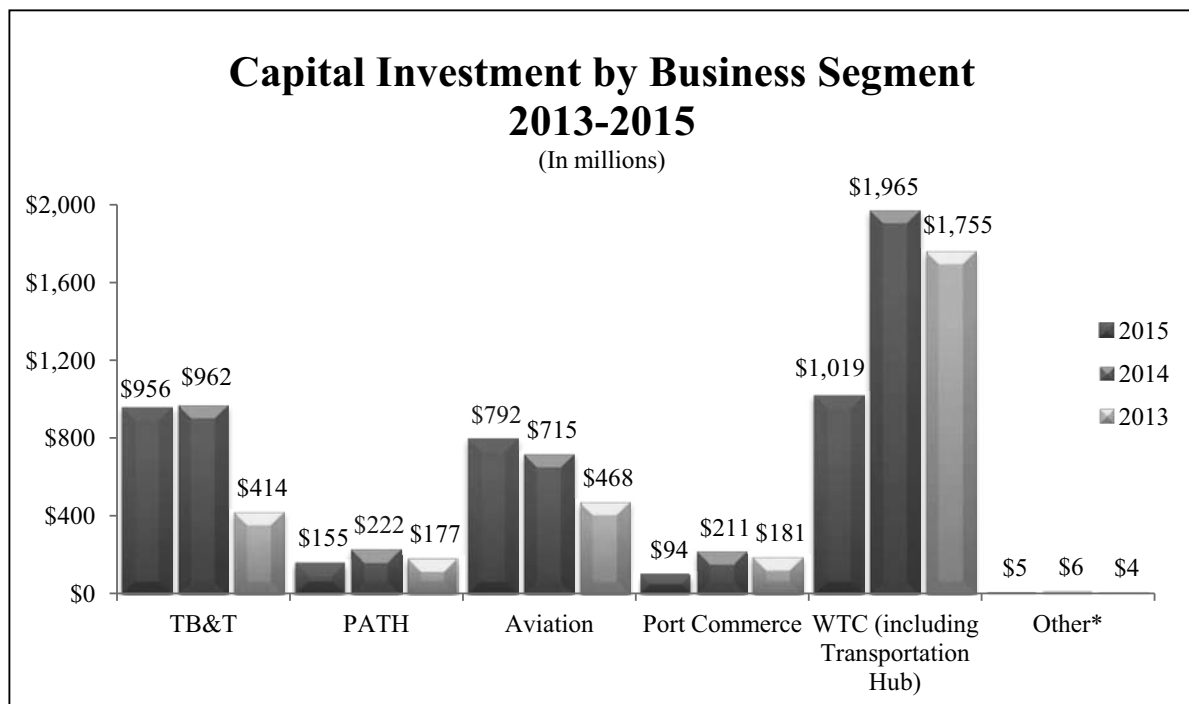
**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Management’s Discussion and Analysis (Unaudited)  
(continued)**



\*Capital funding sources exclude approximately \$110 million related to net accrued amounts in connection with capital construction.

The following chart depicts capital investment for the last three years summarized by business segment:



\*Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

Additional information related to capital investment can be found in appended *Note B – Facilities, net to the 2015 consolidated financial statements*, and *Schedule D-3 – Selected Statistical Financial Data by Business Segment* and *Schedule F – Information on Capital Investment in Port Authority Facilities* located in the Statistical and Other Supplemental Information section of this report.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

---

**Capital Financing and Debt Management**

As of December 31, 2015, bonds and other asset financing obligations of the Port Authority totaled approximately \$24.3 billion, including \$1.2 billion associated with the Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor.

During 2015, the Port Authority received \$3.3 billion of consolidated bond proceeds, including \$335 million in premiums received at the time of issuance. Of this amount, \$1.3 billion was allocated to fund capital project expenditures and \$2 billion was allocated for purposes of refunding outstanding consolidated bonds. In addition, the Port Authority issued commercial paper obligations totaling \$1.68 billion. Of this amount, \$1.64 billion was allocated for the purpose of refunding existing commercial paper obligations and \$36 million was issued to fund capital construction project expenditures.

On October 9, 2015, the Port Authority issued Consolidated Bonds One Hundred Ninety-fourth (194<sup>th</sup>) Series for purposes of funding \$216 million of capital project expenditures at certain Port Authority Facilities, to refund \$68.5 million of certain Consolidated Bonds One Hundred Forty-eighth (148<sup>th</sup>) Series maturities in October 2015 and to refund \$335.9 million of Consolidated Bonds One Hundred Forty-second (142<sup>nd</sup>) Series obligations in January 2016. In addition, \$743.4 million of Consolidated Bonds One Hundred Ninety-fourth (194<sup>th</sup>) Series bond proceeds were deposited in Port Authority controlled custodial accounts and invested in U.S. securities on an interim basis until they are needed for purposes of refunding Consolidated Bond Series One Hundred Forty-fourth (144<sup>th</sup>) Series and Consolidated Bonds One Hundred Forty-eighth (148<sup>th</sup>) Series by October 1, 2016 and August 15, 2017, respectively. The maturity dates of the investments coincide with refunding dates of the respective consolidated bond series to be refunded. It is expected that the invested bond proceeds, along with \$5.2 million of expected fixed income earned on these investments will provide for the complete refunding of Consolidated Bonds One Hundred Forty-fourth (144<sup>th</sup>) Series and One Hundred Forty-eighth (148<sup>th</sup>) Series. Because the invested bond proceeds are deposited in Port Authority controlled custodial accounts that are not irrevocable, the outstanding debt obligations to be refunded by October 2016 and August 2017 have not been substantively defeased for financial reporting purposes.

<b>Consolidated Bond</b>	<b>Period</b>	<b>Total Debt Service</b>
One Hundred Forty-fourth Series	October 9, 2015 to October 1, 2016	\$314,621,344
One Hundred Forty-eighth Series	October 9, 2015 to August 15, 2017	434,038,000
<b>Total</b>		<b>\$748,659,344</b>

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2015 remained the same when compared to 2014. During 2015, Standard and Poor’s (S&P), Fitch Ratings and Moody’s Investors Service considered the Port Authority’s outlook stable.

<b>OBLIGATION</b>	<b>S&amp;P</b>	<b>Fitch Ratings</b>	<b>Moody’s Investors Service</b>
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price. Additional information on Port

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Management's Discussion and Analysis (Unaudited)  
(continued)**

---

Authority obligations can be found in "Note D - Outstanding Obligations and Financing" to the consolidated financial statements.

**Other Activities**

- Toll schedules for the Port Authority's six (6) vehicular crossings were authorized and revised effective September 18, 2011. The last scheduled toll increase for automobiles paying with cash increased from \$14.00 to \$15.00 in December 2015; the cash toll for truck classes 2-6 increased from \$19.00 per axle to \$21.00 per axle in December 2015; the cash toll for buses carrying 10 or more people increased from \$23.00 to \$24.00 in December 2015. Discounts are available for vehicles using the E-ZPass electronic toll collection system and certain designated user programs. No further increases to toll rates at the six (6) vehicular crossings are currently scheduled.
- The PATH base fare schedule was authorized and revised effective September 18, 2011. The last scheduled PATH base fare for a single trip increased from \$2.50 per trip to \$2.75 per trip on October 1, 2014. The cost of the multi-trip tickets and SmartLink passes were also increased at that time in a consistent manner with the base fare increase. No further increases to PATH fares are currently scheduled.
- The Port Authority is currently engaged in various activities pertaining to the redevelopment of LaGuardia Airport to address its short and long-term infrastructure needs, including a request for proposals (RFP) process for the replacement of Terminal B and related facilities through a public-private partnership, a new east garage, an east-end substation, and various other site, building and utility modernization projects. On May 28, 2015, after conducting a RFP selection process, the Board of Commissioners of the Port Authority authorized management to enter into an exclusive negotiating period with a private developer consortium and to agree to the terms of a final proposal for the redevelopment of Terminal B. The exclusive negotiations process with the private developer consortium is ongoing.
- The Port Authority is undertaking a bus planning study to assess options for replacing the Port Authority Bus Terminal (PABT) to meet the growing demand for the terminal gates and bus parking facilities. The study will also evaluate funding options, including the sale of unused Port Authority development rights at the PABT and on the roadways that connect to the Lincoln Tunnel. As an interim measure, on July 25, 2014, the Board of Commissioners of the Port Authority authorized the implementation of a Quality of Commute improvement program to provide for short-term improvements at the PABT, consisting of projects to improve on-time performance and customer service with a total program cost of \$90 million, with appropriate 2014-2023 Capital Plan reallocations to support this program. The Port Authority is in the process of further assessing the replacement of the PABT by soliciting input from the international community, and re-evaluating the trans-Hudson commuter demand forecast. The purpose of the effort is to validate and/or explore options for the replacement identified during the previous PABT Master Plan process. The study will also evaluate funding strategies, including but not limited to, Public-Private-Partnerships and availability of government grants. Board authorization to undertake these measures was obtained in October 2015 and \$15 million has been budgeted for 2016 to support this effort.
- On December 10, 2015, the Board authorized the establishment and development of a new corporation to oversee the construction and execution of the Gateway Tunnel Project. The Gateway Tunnel Project is proposed to include a new Hudson River Tunnel together with rail, bridge and station expansions to improve rail passenger service in the congested rail corridor between Newark, New Jersey and Pennsylvania Station, New York, which is an essential portion of the National



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Management's Discussion and Analysis (Unaudited)  
(continued)**

---

Railroad Passenger Corporation (Amtrak) Northeast Corridor (NEC). The federal government, working through the United States Department of Transportation (USDOT) and Amtrak have agreed to cover half of the project costs through a combination of grants, Amtrak funding sources, and low interest federal loans for which Amtrak and/or their federal partners would take responsibility for debt service. In furtherance of these efforts, it was recommended that the Port Authority partner with the federal government and take a lead role in the development of the Gateway Tunnel Project. It is proposed that the Port Authority's role would be structured through a development corporation under the Port Authority, which could oversee the construction and execution of the Gateway Tunnel Project, in partnership with Amtrak and USDOT. At this time, the Port Authority has made no funding commitment to the Gateway Tunnel Project and any such future commitment, as well as the scope of the Port Authority participation in the construction, operation and maintenance of the Gateway Tunnel Project, have yet to be determined.

- On December 10, 2015, the Board of Commissioners approved a 2016 budget that provides for capital and operating expenditures during calendar year 2016 . To obtain a copy of the 2016 budget, please refer to the following link:  
<http://www.panynj.gov/corporate-information/pdf/2016-budget-book.pdf>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Consolidated Statements of Net Position**

	December 31, 2015	December 31, 2014
(In thousands)		
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,171,781	\$ 1,624,605
Restricted cash	171,286	213,799
Investments	1,766,989	353,491
Current receivables, net	468,707	482,297
Other current assets	127,193	141,131
Restricted receivables and other assets	73,106	30,657
<b>Total current assets</b>	<b>3,779,062</b>	<b>2,845,980</b>
Noncurrent assets:		
Restricted cash	4,631	7,087
Investments	3,252,429	3,180,386
Restricted investments - PAICE	184,633	182,585
Other amounts receivable, net	52,474	56,640
Other noncurrent assets	1,439,303	1,434,828
Restricted noncurrent assets - PAICE	4,649	8,109
Amounts receivable - Special Project Bonds	1,435,940	1,513,892
Amounts receivable - Tower 4 Liberty Bonds	1,247,473	1,248,085
Unamortized costs for regional programs	280,874	342,987
Facilities, net	32,666,774	30,773,475
<b>Total noncurrent assets</b>	<b>40,569,180</b>	<b>38,748,074</b>
<b>Total assets</b>	<b>44,348,242</b>	<b>41,594,054</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on debt refundings	97,337	108,447
Pension related amounts	155,259	-
<b>Total deferred outflows of resources</b>	<b>252,596</b>	<b>108,447</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,071,047	1,289,162
Accrued interest and other current liabilities	542,700	448,060
Restricted other liabilities - PAICE	9,446	7,580
Accrued payroll and other employee benefits	436,576	404,998
Current portion bonds and other asset financing obligations	1,486,572	886,835
<b>Total current liabilities</b>	<b>3,546,341</b>	<b>3,036,635</b>
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	229,892	190,286
Other noncurrent liabilities	293,645	315,716
Unearned income related to WTC Retail Joint Venture	704,697	645,485
Restricted other noncurrent liabilities - PAICE	50,383	50,121
Amounts payable - Special Project Bonds	1,435,940	1,513,892
Amounts payable - Tower 4 Liberty Bonds	1,247,473	1,248,085
Bonds and other asset financing obligations	21,533,822	19,920,820
<b>Total noncurrent liabilities</b>	<b>25,495,852</b>	<b>23,884,405</b>
<b>Total liabilities</b>	<b>29,042,193</b>	<b>26,921,040</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Gain on debt refundings	21,527	6,921
Pension related amounts	7,555	-
<b>Total deferred inflows of resources</b>	<b>29,082</b>	<b>6,921</b>
<b>NET POSITION</b>	<b>\$ 15,529,563</b>	<b>\$ 14,774,540</b>
<b>Net position is comprised of:</b>		
Net investment in capital assets	\$ 11,810,573	\$ 10,402,894
Restricted:		
Passenger Facility Charges	168,801	193,678
Port Authority Insurance Captive Entity, LLC	187,628	177,179
Minority Interest in Tower 1 Joint Venture	100,000	100,000
Unrestricted	3,262,561	3,900,789
<b>NET POSITION</b>	<b>\$ 15,529,563</b>	<b>\$ 14,774,540</b>

See Notes to Consolidated Financial Statements

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Consolidated Statements of Revenues, Expenses and Changes in Net Position**

	Year ended December 31,	
	2015	2014
	(In thousands)	
<b>Gross operating revenues:</b>		
Tolls and fares	\$ 1,718,770	\$ 1,553,625
Rentals	1,446,980	1,300,818
Aviation fees	1,063,902	1,058,416
Parking and other	359,631	321,760
Utilities	144,580	149,052
Rentals - Special Project Bonds Projects	92,719	98,141
<b>Total gross operating revenues</b>	<b>4,826,582</b>	<b>4,481,812</b>
<b>Operating expenses:</b>		
Employee compensation, including benefits	1,178,967	1,187,877
Contract services	833,903	797,516
Rents and payments in-lieu-of taxes (PILOT)	356,162	362,627
Materials, equipment and other	252,071	277,174
Utilities	186,830	199,919
Interest on Special Project Bonds	92,719	98,141
<b>Total operating expenses before depreciation, amortization and other operating expenses</b>	<b>2,900,652</b>	<b>2,923,254</b>
Net (revenues) related to Superstorm Sandy	(123)	(53,530)
Depreciation of facilities	1,124,383	932,149
Amortization of costs for regional programs	64,665	64,484
<b>Income from operations</b>	<b>737,005</b>	<b>615,455</b>
<b>Non-operating revenues and (expenses):</b>		
Financial income	45,268	41,050
Net (decrease) in fair value of investments	(14,290)	(2,950)
Interest expense in connection with bonds and other asset financing	(909,603)	(666,244)
Gain on disposition of assets	-	19,043
Pass-through grant program payments	(51,429)	(107,606)
4 WTC associated payments	36,766	6,128
Grants, in connection with operating activities	101,074	207,898
<b>Non-operating expenses, net</b>	<b>(792,214)</b>	<b>(502,681)</b>
<b>Income / (Loss) before capital contributions and Passenger Facility Charges</b>	<b>(55,209)</b>	<b>112,774</b>
<b>Capital contributions and Passenger Facility Charges:</b>		
Contributions in aid of construction	586,295	700,267
Passenger Facility Charges	248,707	233,172
<b>Total capital contributions and Passenger Facility Charges</b>	<b>835,002</b>	<b>933,439</b>
Increase in net position	779,793	1,046,213
Net position, January 1	14,774,540	13,728,327
Cumulative effect of change in accounting principles (Note A.3.n)	(24,770)	-
Restated net position, January 1	14,749,770	-
<b>Net position, December 31</b>	<b>\$ 15,529,563</b>	<b>\$ 14,774,540</b>

See Notes to Consolidated Financial Statements

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2015	2014
	(In thousands)	
<b>1. Cash flows from operating activities:</b>		
Cash received from operations	\$ 4,678,760	\$ 4,364,086
Cash received related to WTC Retail Joint Venture	53,438	652,104
Cash received related to SuperStorm Sandy Insurance	123	74,657
Cash paid to or on behalf of employees	(1,280,133)	(1,224,562)
Cash paid to suppliers	(1,314,202)	(1,398,624)
Cash paid to municipalities	(349,125)	(350,144)
Net cash provided by operating activities	<b>1,788,861</b>	<b>2,117,517</b>
<b>Cash flows from noncapital financing activities:</b>		
Principal paid on noncapital financing obligations	(66,500)	(50,425)
Payments for Fund for regional development buy-out obligation	(51,212)	(51,214)
Interest paid on noncapital financing obligations	(4)	(36)
Grants received in connection with operating activities	71,773	171,300
Grants received related to SuperStorm Sandy	36,977	52,585
Pass-through grant payments	(51,138)	(107,606)
Net cash (used for) provided by noncapital financing activities	<b>(60,104)</b>	<b>14,604</b>
<b>Cash flows from capital and related financing activities:</b>		
Investment in facilities and construction of capital assets	(2,453,602)	(3,032,734)
Proceeds from capital obligations issued for refunding purposes	3,709,257	2,307,220
Principal paid through capital obligations refundings	(2,592,095)	(2,662,510)
Proceeds from sales of capital obligations allocated for construction	1,329,958	2,009,742
Principal paid on capital obligations	(308,885)	(329,285)
Interest paid on capital obligations	(990,746)	(920,891)
Payments for MOTBY obligation	(5,000)	(5,000)
Contributions in aid of construction	298,692	431,173
Proceeds from Passenger Facility Charges	245,688	235,836
Proceeds from disposition of assets	-	33,328
Financial income allocated to capital projects	750	941
Net cash (used for) capital and related financing activities	<b>(765,983)</b>	<b>(1,932,180)</b>
<b>Cash flows from investing activities:</b>		
Purchase of investment securities	(2,746,903)	(2,659,230)
Proceeds from maturity and sale of investment securities	1,242,899	1,866,231
Interest received on investment securities	39,287	33,106
Other interest income	4,150	5,334
Net cash (used for) investing activities	<b>(1,460,567)</b>	<b>(754,559)</b>
Net (decrease) in cash	<b>(497,793)</b>	<b>(554,618)</b>
Cash at beginning of year	<b>1,845,491</b>	<b>2,400,109</b>
Cash at end of year	<b>\$ 1,347,698</b>	<b>\$ 1,845,491</b>

See Notes to Consolidated Financial Statements.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Consolidated Statements of Cash Flows  
(continued)**

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(In thousands)	
<b>2. Reconciliation of income from operations to net cash provided by operating activities:</b>		
Income from operations	<b>\$ 737,005</b>	<b>\$ 615,455</b>
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	1,124,383	932,149
Amortization of costs for regional programs	64,665	64,484
Amortization of other assets	47,684	48,106
Change in operating assets and operating liabilities:		
(Increase) in receivables	(57,303)	(13,299)
(Increase) in other assets	(61,813)	(94,214)
(Increase) in payables	(33,554)	(4,129)
(Decrease) in other liabilities	(21,002)	(38,523)
Increase in unearned income related to WTC Retail Joint Venture	59,213	645,485
(Decrease) in accrued payroll, pension and other employee benefits	(70,417)	(37,997)
Total adjustments	<b>1,051,856</b>	<b>1,502,062</b>
Net cash provided by operating activities	<b>\$ 1,788,861</b>	<b>\$ 2,117,517</b>

**3. Capital obligations:**

Consolidated bonds and notes, commercial paper, and variable rate master notes and Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY).

**4. Noncash investing, capital and financing activities:**

Noncash activity of \$151 million in 2015 and \$150 million in 2014 includes amortization of discount and premium on outstanding debt obligations and debt service in connection with Special Project Bonds.

Noncash capital financing did not include any activities that required a change in fair value. In 2015 and 2014, the Silverstein net lessees contributed \$314 million and \$235 million, respectively, towards construction of WTC Towers 3 and 4. In 2015 and 2014, preferred returns due the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled (\$27.5) million and (\$28.3) million, respectively. As of December 31, 2015, the Goethals Bridge replacement capital asset obligation totaled \$431 million, comprising accrued amounts of \$221 million in 2015 and \$210 million in 2014.

Noncash capital asset write-offs totaled \$5.5 million in 2015 and \$11 million in 2014.

**See Notes to Consolidated Financial Statements**

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**

**Note A – Nature of the Organization and Summary of Significant Accounting Policies**

**1. Reporting Entity**

- a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges.
- b. The Governor of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners. The actions taken by the Commissioners at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.
- c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chairman and Vice Chairman of the Port Authority, provides oversight of the quality and integrity of the Port Authority’s framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. On May 6, 2015, the Audit Committee retained KPMG LLP as independent auditors to perform the independent audit of the Port Authority’s consolidated financial statements for the year ending December 31, 2015.
- d. The consolidated financial statements and schedules include the accounts of The Port Authority of New York and New Jersey and its component units including:

<b>Port Authority Blended Component Units*</b>	<b>Establishment or Acquisition Date</b>
Port Authority Trans-Hudson Corporation	May 10, 1962
Newark Legal and Communications Center Urban Renewal Corporation	May 12, 1988
New York and New Jersey Railroad Corporation	April 30, 1998
WTC Retail LLC	November 20, 2003
Port District Capital Projects LLC	July 28, 2005
Tower 5 LLC (formerly known as 1 WTC LLC)	September 21, 2006
Port Authority Insurance Captive Entity, LLC	October 16, 2006
New York New Jersey Rail, LLC	September 18, 2008
Tower 1 Member LLC	April 19, 2011
Tower 1 Joint Venture LLC	April 19, 2011
Tower 1 Holdings LLC	April 19, 2011
WTC Tower 1 LLC	April 19, 2011
PA Retail Newco LLC	May 7, 2012
Tower 1 Rooftop Holdings LLC	June 8, 2012

\* The blended component units listed above are included as part of the Port Authority’s reporting entity because (a) the Port Authority’s Board of Commissioners serves as the overall governing body of these related entities and (b) there is a financial benefit or burden relationship between the Port Authority and the respective component unit listed above.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**2. Basis of Accounting**

- a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, including revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.
- b. The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**3. Significant Accounting Policies**

- a. Facilities, net are carried at cost. The cost of facilities includes interest incurred during the period that relates to the construction or production of the capital asset. The amount of capitalized interest is calculated by offsetting interest expense incurred with financial income earned on invested debt proceeds, from the date of the borrowing until the project is ready for its intended use. Generally, projects in excess of \$100,000 for additions, asset replacements and/or asset improvements that benefit future periods or are expected to prolong the service life of the asset are capitalized (See *Note B – Facilities, Net*). Facilities, net does not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (See *Note H – Regional Facilities and Programs*).
- b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (See *Note B – Facilities, Net*). Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

➤ Buildings, bridges, tunnels and other structures	25 to 100 years
➤ Machinery and equipment	5 to 35 years
➤ Runways, roadways and other paving	7 to 40 years
➤ Utility infrastructure	10 to 100 years

Assets located at facilities leased by the Port Authority from others are depreciated over the lesser of the remaining term of the facility lease or the asset life stated above.

Costs of regional facilities and programs are amortized on a straight-line basis over the period benefited up to a maximum of 15 years (See *Note H – Regional Facilities and Programs*).

Costs related to the purchase of ancillary equipment, including operating and maintenance vehicles and corporate information technology hardware and software, which provide benefits for periods exceeding one year are reported as a component of Other noncurrent assets and amortized over the period benefited.

- c. Cash consists of cash on hand and short term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal (NOW) accounts, collateralized time deposits, and money market accounts.
- d. Restricted cash is primarily comprised of PFCs, cash restricted for use by the Port Authority Insurance Captive Entity, LLC (PAICE) and insurance proceeds that are restricted to business interruption and redevelopment expenditures.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

- e. Net position is displayed in three components as follows:
  - Net investment in capital assets consists of capital assets, net of accumulated depreciation, less the outstanding balances related to payables, bonds, notes, or other liabilities that are attributable to the acquisition, construction, or improvement of those assets.
  - Restricted consists of net resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Port Authority's policy to use restricted resources first.
  - Unrestricted consists of net resources that do not meet the definition of Restricted or Net investment in capital assets.
- f. Statutorily mandated reserves held by PAICE are restricted for purposes of insuring certain risk exposures.
- g. Inventories are valued using an average cost method, which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of other noncurrent assets on the Consolidated Statements of Net Position.
- h. Operating revenues are derived principally from rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at Port Authority facilities, and amounts reimbursed for operating activities. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, including financial income, PFCs, contributions in aid of construction, grants, insurance proceeds and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant program payment costs are reported as non-operating expenses.
- i. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized as capital contributions when the passenger activity occurs and the fees are due from the air carriers. Capital investment funded by PFCs is reflected as a component of Facilities, net.
- j. Required contributed capital amounts due from the WTC net lessees related to the redevelopment of World Trade Center Towers 2, 3 and 4 are recognized as Contributions in aid of construction.
- k. All Port Authority investment values that are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives, and may also employ hedging strategies to minimize interest rate risk and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (See *Note C – Cash and Investments*).
- l. In accordance with GASB Statement No. 23, "*Accounting and Financial Reporting for Refundings of Debt Reporting by Proprietary Activities*," when issuing new debt for refunding purposes, the difference between the reacquisition price of the new debt and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

and amortized using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- m. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.
- n. GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions*,” as amended by GASB Statement No. 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*,” GASB Statement No. 73 “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*,” and GASB Statement No. 78 “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*” were implemented by the Port Authority as of January 1, 2015. The objective of these statements is to improve the information provided in government financial reports about pension benefits provided to employees.

Adoption of these standards resulted in the Port Authority recording a net pension liability and associated deferred outflows of resources and deferred inflows of resources related to its participation in the New York State and Local Employees’ Retirement System and the New York State and Local Police and Fire Retirement System, as well as the PATH Exempt Employees Supplemental Pension Plan.

For additional information related to pension plans through which pension benefits are provided to Port Authority and PATH employees, see *Note I – Pension Plans*.

The cumulative effect of adopting GASB Statement No. 68 and the amendments described above is summarized below:

<b>Cumulative effect of adopting GASB Statement No. 68</b>	(In thousands)
Net Position, January 1, 2015	\$ 14,774,540
Increases in Net position:	
Deferred outflows of resources	146,425
Current liabilities	3,157
Noncurrent liabilities	27,590
Decreases in Net position:	
Accrued pension and other postemployment benefits	(166,737)
Current assets	(35,205)
Cumulative effect of change in accounting principles	(24,770)
Net Position, January 1, 2015, (as restated)	\$14,749,770

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**4. Reconciliation of the Consolidated Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Port Authority Bond Resolutions**

Schedules A, B, C and D-2 which follow the Required Supplementary Information section of this report, have been prepared in accordance with Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

- a. Revenues and expenses of facilities are accounted for in the operating fund. The financial resources received and expended for the construction or acquisition of major facilities or improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.
- b. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and reserves of the Port Authority or their application as provided for in the Port Authority's bond resolutions. Instead, capital expenditures are provided for through deductions from net revenues or reserves in amounts equal to principal payments on debt outstanding or through the application of reserves for the purposes of direct capital investment in facilities. These amounts are credited at par to Facility infrastructure investment in the capital fund on *Schedule B – Assets and Liabilities*.
- c. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.
- d. Capital costs for regional programs are included in Invested in facilities in accordance with Port Authority bond resolutions.
- e. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations.
- f. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the historical cost of capital assets removed from service due to retirement is not deducted from Invested in facilities. However, if a capital asset is sold, the proceeds received from the sale are deposited in the capital fund for purposes of funding future capital investment and deducted from cumulative Invested in facilities at the time of the sale.
- g. Contributed capital amounts resulting from non-exchange transactions, including contributions in aid of construction where the Port Authority does not receive a cash reimbursement for prior cash outlays, are included in Invested in facilities, and credited to Facility Infrastructure Investment in the Capital Fund.
- h. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are initially deferred as Unapplied Passenger Facility Charges on *Schedule B – Assets and Liabilities* and applied as revenue on *Schedule A – Revenues and Reserves* after the payment for the capital investment occurs. Capital investment funded by PFCs is reflected as a component of Invested in facilities.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

- i. Amounts received in connection with the March 18, 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture to Westfield are recognized as revenue in their entirety when they are received, and are recorded on that basis on *Schedule A – Revenue and Reserves*.
- j. The cumulative impact of adopting a new accounting standard, which necessitates the restatement of a prior year's beginning or ending Net position is recognized as either an increase or decrease to the operating fund's Net position.
- k. In accordance with the Port Authority Bond Resolution, operating expenses provide for contingencies related to future operating and maintenance expenses.

A reconciliation of the Consolidated Statements of Net Position to Schedule B and the Consolidated Statements of Revenues, Expenses and Changes in Net Position to Schedule A follows:

**Consolidated Statements of Net Position to Schedule B – Assets and Liabilities**

	December 31,	
	2015	2014
	(In thousands)	
Net position reported on Consolidated Statements of Net Position	<b>\$15,529,563</b>	\$14,774,540
Add: Accumulated depreciation of facilities	<b>14,011,193</b>	13,173,338
Accumulated retirements and gains and losses on disposition of assets	<b>2,420,096</b>	2,378,037
Application of WTC Retail Joint Venture Payments	<b>719,067</b>	652,104
Cumulative amortization of costs for regional programs	<b>1,255,370</b>	946,237
Cumulative unamortized discount and premium	<b>701,234</b>	381,842
<b>Subtotal</b>	<b>19,106,960</b>	17,531,558
Less: Deferred income - PFCs	<b>168,801</b>	193,678
Income related to WTC Retail Joint Venture	<b>14,370</b>	6,619
Operating and maintenance contingencies	<b>50,000</b>	-
<b>Subtotal</b>	<b>233,171</b>	200,297
<b>Total</b>	<b>\$34,403,352</b>	\$32,105,801
Net position reported on Schedule B - Assets and Liabilities (pursuant to Port Authority Bond Resolutions)	<b>\$34,403,352</b>	\$32,105,801

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Consolidated Statements of Revenues, Expenses and Changes in Net Position to Schedule A –  
Revenues and Reserves**

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(In thousands)	
Increase in Net Position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position	<b>\$ 779,793</b>	\$ 1,046,213
Add:		
Depreciation of facilities	<b>1,124,383</b>	932,149
Application of PFCs	<b>273,721</b>	221,156
Amortization of costs for regional programs	<b>64,665</b>	64,484
Amortization of discount and premium	<b>(15,363)</b>	(22,334)
Restricted Financial Income - PAICE	-	(5,068)
Application of WTC Retail Joint Venture Payments	<b>66,963</b>	652,104
Appropriations for self-insurance	-	28,100
<b>Subtotal</b>	<b>1,514,369</b>	1,870,591
Less:		
Debt maturities and retirements	<b>259,315</b>	226,205
Repayment of asset financing obligations	<b>51,928</b>	105,562
WTC T2 - T4 Net Lessee capital contributions	<b>313,960</b>	235,115
Direct investment in facilities	<b>1,949,785</b>	1,473,432
Operating and maintenance contingencies	<b>50,000</b>	-
Collection of Passenger Facility Charges	<b>248,707</b>	233,172
Income related to WTC Retail Joint Venture	<b>7,751</b>	6,619
PFC interest income/fair value adjustment	<b>136</b>	305
Gain on disposition of assets	-	19,043
<b>Subtotal</b>	<b>2,881,582</b>	2,299,453
<b>Total</b>	<b>\$ (587,420)</b>	\$ 617,351
(Decrease)/Increase in Reserves reported on Schedule A - Revenues and Reserves (pursuant to Port Authority Bond Resolutions)	<b>\$ (587,420)</b>	\$ 617,351

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements  
(Continued)**

**Note B - Facilities, Net**

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements / Dispositions	End of Year
	(In thousands)					
<b>2015</b>						
Capital assets not being depreciated:						
Land	\$ 1,197,870	\$ -	\$ 29,464	\$ -	\$ -	\$ 1,227,334
Construction in progress*	9,166,654	3,017,682	(3,416,930)	-	-	8,767,406
<b>Total capital assets not being depreciated</b>	<b>10,364,524</b>	<b>3,017,682</b>	<b>(3,387,466)</b>	<b>-</b>	<b>-</b>	<b>9,994,740</b>
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	14,523,072	-	1,970,158	-	(9,783)	16,483,447
Machinery and equipment	9,031,912	-	600,533	-	(245,526)	9,386,919
Runways, roadways and other paving	5,072,469	-	441,402	-	(3,852)	5,510,019
Utility infrastructure	4,954,836	-	375,373	-	(27,367)	5,302,842
<b>Total other capital assets being depreciated</b>	<b>33,582,289</b>	<b>-</b>	<b>3,387,466</b>	<b>-</b>	<b>(286,528)</b>	<b>36,683,227</b>
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(4,116,014)	-	-	(368,480)	9,783	(4,474,711)
Machinery and equipment	(4,170,899)	-	-	(348,786)	245,526	(4,274,159)
Runways, roadways and other paving	(2,841,193)	-	-	(210,425)	3,852	(3,047,766)
Utility infrastructure	(2,045,232)	-	-	(196,692)	27,367	(2,214,557)
<b>Total accumulated depreciation</b>	<b>(13,173,338)</b>	<b>-</b>	<b>-</b>	<b>(1,124,383)</b>	<b>286,528</b>	<b>(14,011,193)</b>
<b>Facilities, net</b>	<b>\$ 30,773,475</b>	<b>\$ 3,017,682</b>	<b>\$ -</b>	<b>\$ (1,124,383)</b>	<b>\$ -</b>	<b>\$ 32,666,774</b>

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements / Dispositions	End of Year
	(In thousands)					
<b>2014</b>						
Capital assets not being depreciated:						
Land	\$ 1,142,230	\$ -	\$ 60,033	\$ -	\$ (4,393)	\$ 1,197,870
Construction in progress*	12,075,052	4,077,839	(6,986,237)	-	-	9,166,654
<b>Total capital assets not being depreciated</b>	<b>13,217,282</b>	<b>4,077,839</b>	<b>(6,926,204)</b>	<b>-</b>	<b>(4,393)</b>	<b>10,364,524</b>
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	10,095,250	-	4,512,392	-	(84,570)	14,523,072
Machinery and equipment	8,129,404	-	907,909	-	(5,401)	9,031,912
Runways, roadways and other paving	4,629,992	-	449,170	-	(6,693)	5,072,469
Utility infrastructure	3,898,809	-	1,056,733	-	(706)	4,954,836
<b>Total other capital assets being depreciated</b>	<b>26,753,455</b>	<b>-</b>	<b>6,926,204</b>	<b>-</b>	<b>(97,370)</b>	<b>33,582,289</b>
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(3,904,721)	-	-	(282,350)	71,057	(4,116,014)
Machinery and equipment	(3,881,963)	-	-	(294,337)	5,401	(4,170,899)
Runways, roadways and other paving	(2,654,311)	-	-	(193,430)	6,548	(2,841,193)
Utility infrastructure	(1,883,762)	-	-	(162,032)	562	(2,045,232)
<b>Total accumulated depreciation</b>	<b>(12,324,757)</b>	<b>-</b>	<b>-</b>	<b>(932,149)</b>	<b>83,568</b>	<b>(13,173,338)</b>
<b>Facilities, net</b>	<b>\$ 27,645,980</b>	<b>\$ 4,077,839</b>	<b>\$ -</b>	<b>\$ (932,149)</b>	<b>\$ (18,195)</b>	<b>\$ 30,773,475</b>

\* Construction in progress includes the impact of capital write-offs totalling \$5 million in 2015 and \$11 million in 2014.

1. Net interest expense added to the cost of facilities was \$163 million in 2015 and \$356 million in 2014.
2. Projects that have been suspended pending determination of their continued viability totaled \$61.6 million in 2015 and \$37.7 million in 2014.
3. The impact on accelerated depreciation related to buildings, bridges, tunnels, and other structures was \$18.6 million in 2015 and \$29 million in 2014.
4. Retirements and Dispositions include the remaining book value, if any, of a capital asset that is sold or disposed of.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note C – Cash and Investments**

1. The components of cash and investments are:

<b>CASH</b>	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(In thousands)	
Cash on hand	\$ 1,127	\$ 1,816
Cash equivalents	1,346,571	1,843,675
Total cash	1,347,698	1,845,491
Less restricted cash	175,917	220,886
Unrestricted cash	\$1,171,781	\$1,624,605

<b>INVESTMENTS, AT FAIR VALUE</b>	<b>December 31,</b>			
	<b>2015</b>		<b>2014</b>	
	(In thousands)			
	<b>Port Authority</b>	<b>PAICE</b>	<b>Total</b>	<b>Total</b>
United States Treasury notes	\$3,865,193	\$110,216	\$3,975,409	\$3,149,061
United States Treasury bonds	-	12,878	12,878	10,997
United States Treasury bills	140,022	-	140,022	68,000
United States government agency obligations	-	41,921	41,921	39,565
United States Treasury obligations held pursuant to repurchase agreements	891,267	-	891,267	274,900
JFK International Air Terminal LLC obligations (JFKIAT)	79,718	-	79,718	92,716
Other governmental obligations	33,958	-	33,958	55,317
Corporate bonds	-	18,315	18,315	17,810
Accrued interest receivable	9,260	1,303	10,563	8,096
Total investments	5,019,418	184,633	5,204,051	3,716,462
Less current investments	1,766,989	-	1,766,989	353,491
Noncurrent investments	\$3,252,429	\$184,633	\$3,437,062	\$3,362,971

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% of actual daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). The collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks in the Port District having combined capital and surplus in excess of \$1 million.

Total actual bank balances excluding amounts held by third party trustees were \$1.292 billion at December 31, 2015. Of that amount, \$16 million was secured through the basic FDIC deposit insurance and/or pursuant to the NJ Governmental Unit Deposit Protection Act (GUDPA). The balance of \$1.276 billion was fully collateralized with collateral held by a third party custodian acting as the Port Authority's agent and held by such custodian in the Port Authority's name.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

3. The investment policies of the Port Authority are established in conformity with its agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners or its Committee on Finance. For the Port Authority, but not necessarily its related entities, individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions. The notable exception is the execution of Tri-Party Repurchase agreements. These transactions are completed when the Tri-Party custodian posts collateral to our account in exchange for our investment funds.

Proceeds received in connection with consolidated bonds and other asset financing obligation issuances may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time deposit accounts.

Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund.

Operating funds may be invested in various items including (a) direct obligations of the United States of America, obligations of United States government agencies, and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms; (b) investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets; (c) commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies; (d) United States Treasury and municipal bond futures contracts; (e) certain interest rate exchange contracts with banks and investment firms; (f) certain interest rate options contracts that are limited to \$50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities; and (g) certain unrated obligations of JFKIAT LLC (presently comprising approximately 1.6% of total Port Authority investments at December 31, 2015) for certain costs attributable to the construction of Terminal 4 (JFKIAT) completed in 2001. The Board has from time to time authorized other investments of operating funds.

It is the general policy of the Port Authority to limit exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolio to less than two years. Extending the weighted average maturity beyond two years requires explicit written approval of the Chief Financial Officer. Committee on Finance authorization is required to extend the weighted average maturity beyond five years.

The fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2015, follows:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

<b>Port Authority Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity</b>
	(In thousands)	(In days)
United States Treasury notes	\$ 3,865,193	505
United States Treasury bills	140,022	95
United States REPO	891,267	9
JFK International Air Terminal LLC obligations	79,718	3,624
Other government obligations	33,958	341
Total fair value of investments*	\$ 5,010,158	
Investment weighted average maturity		454

\*Excludes accrued interest receivable amounts of \$9.2 million.

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements (REPO) bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2015 and 2014.

4. The investment policies of PAICE have been established and approved by the PAICE Board of Directors, which is comprised of Port Authority executive staff. Consistent with the Port Authority Board of Commissioners' authorization with respect to the establishment of PAICE as a wholly owned entity of the Port Authority, PAICE provides the Port Authority Board of Commissioners' Committee on Finance with periodic updates on PAICE's investment activities.

Under PAICE's investment policies, eligible investments include money market demand accounts of commercial banks, not to exceed bank deposit insurance limits, and/or taxable or tax-exempt money market mutual funds that offer daily purchase and redemption while maintaining a constant share price and whose fund assets are primarily United States Treasury notes and bonds and whose assets are at least \$500 million. Other investments include: United States Treasury securities and United States government agency obligations, AAA rated tax-exempt general obligation issues of states, and U.S. dollar denominated corporate debt rated AA or above.

The fair value and weighted average maturity of investments held by PAICE at December 31, 2015, follows:

<b>PAICE Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity</b>
	(In thousands)	(In days)
United States Treasury notes	\$ 110,216	601
United States Treasury bonds	12,878	893
United States government agency obligations	41,921	730
Corporate bonds	18,315	983
Total fair value of investments*	\$ 183,330	
Investment weighted average maturity		689

\*Excludes accrued interest receivable amounts of \$1.3 million.



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing**

**Introduction**

Throughout *Note D – Outstanding Obligations and Financing*, obligations noted with (\*) are subject to the Alternative Minimum Tax (AMT) imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with (\*\*) are subject to federal taxation.

**Outstanding bonds and other asset financing obligations**

	<b>December 31, 2015</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
	(In thousands)		
A. Consolidated Bonds and Notes	\$ 946,895	\$20,840,924	\$21,787,819
B. Commercial Paper Obligations	425,760	-	425,760
C. Variable Rate Master Notes	77,900	-	77,900
D. Port Authority Equipment Notes	-	-	-
E. Fund for Regional Development Buy-Out Obligation	32,339	221,393	253,732
F. MOTBY Obligation	3,678	40,705	44,383
G. Tower 4 Liberty Bonds	-	1,247,473	1,247,473
H. Goethals Bridge Replacement Capital Asset Obligation	-	430,800	430,800
	<b>\$1,486,572</b>	<b>\$22,781,295</b>	<b>\$24,267,867</b>

	<b>December 31, 2014</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
	(In thousands)		
A. Consolidated Bonds and Notes	\$ 295,550	\$19,412,388	\$19,707,938
B. Commercial Paper Obligations	448,185	-	448,185
C. Variable Rate Master Notes	77,900	-	77,900
D. Port Authority Equipment Notes	31,500	-	31,500
E. Fund for Regional Development Buy-Out Obligation	29,829	253,733	283,562
F. MOTBY Obligation	3,871	44,383	48,254
G. Tower 4 Liberty Bonds	-	1,248,085	1,248,085
H. Goethals Bridge Replacement Capital Asset Obligation	-	210,316	210,316
	<b>\$ 886,835</b>	<b>\$21,168,905</b>	<b>\$22,055,740</b>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

**A. Consolidated Bonds and Notes**

		Dec. 31, 2014	Issued	Refunded/ Retired	Dec. 31, 2015
(In thousands)					
Eighty-fifth series	5.2%-5.375% due 2016-2028	\$77,000	\$ -	\$3,800	\$73,200
Ninety-third series	6.125% due 2094	100,000	-	-	100,000
One hundred twenty-ninth series	4% due 2015	8,075	-	8,075	-
One hundred thirtieth series	3.75% due 2015	8,185	-	8,185	-
One hundred thirty-ninth series*	4.5%-5% due 2015-2025	124,780	-	124,780	-
One hundred fortieth series	4.125%-5% due 2016-2035	400,000	-	400,000	-
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000	-	350,000	-
One hundred forty-second series	4%-5% due 2016-2036	350,000	-	14,035	335,965
One hundred forty-third series*	5% due 2016-2036	500,000	-	-	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000	-	-	300,000
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000	-	-	500,000
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000	-	-	450,000
One hundred forty-eighth series	5% due 2016-2037	500,000	-	79,405	420,595
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	-	-	400,000
One hundred fiftieth series**	4.75%-6.4% due 2016-2027	300,000	-	35,000	265,000
One hundred fifty-first series*	5.25%, 6% & 5.75% due 2023, 2028 & 2035	350,000	-	-	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	400,000	-	-	400,000
One hundred fifty-third series	4%-5% due 2018-2038	500,000	-	-	500,000
One hundred fifty-fourth series	3%-5% due 2016-2029	80,330	-	4,170	76,160
One hundred fifty-fifth series	3%-3.5% due 2016-2019	25,700	-	7,100	18,600
One hundred fifty-sixth series	4%-5% due 2025-2039	100,000	-	-	100,000
One hundred fifty-seventh series**	5.309% due 2019	150,000	-	-	150,000
One hundred fifty-eighth series**	5.859% due 2024	250,000	-	-	250,000
One hundred fifty-ninth series**	6.04% due 2029	350,000	-	-	350,000
One hundred sixtieth series	4%-5% due 2030-2039	300,000	-	-	300,000
One hundred sixty-first series	4.25%-5% due 2030-2039	300,000	-	-	300,000
One hundred sixty-second series	2.375%-3.3% due 2016-2020	33,000	-	8,000	25,000
One hundred sixty-third series	2.375%-5% due 2017-2040	400,000	-	-	400,000
One hundred sixty-fourth series**	5.647% due 2040	425,000	-	-	425,000
One hundred sixty-fifth series**	5.647% due 2040	425,000	-	-	425,000
One hundred sixty-sixth series	5%-5.25% due 2030-2041	300,000	-	-	300,000
One hundred sixty-seventh series*	5%-5.5% due 2016-2028	186,830	-	13,790	173,040
One hundred sixty-eighth series**	4.926% due 2051	1,000,000	-	-	1,000,000
One hundred sixty-ninth series*	4.5%-5% due 2016-2041	343,630	-	20,680	322,950
One hundred seventieth series(a)	5%, 5.25% due 2041 & 2043	672,480	-	-	672,480
One hundred seventy-first series	4%-5% due 2030-2042	400,000	-	-	400,000
One hundred seventy-second series*	3%-5% due 2016-2037	348,220	-	27,700	320,520
One hundred seventy-third series	3%-5% due 2018-2032	300,000	-	-	300,000
One hundred seventy-fourth series**	4.458% due 2062	2,000,000	-	-	2,000,000
One hundred seventy-fifth series	3%-5% due 2016-2042	416,015	-	4,845	411,170
One hundred seventy-sixth series**	0.85%-2.5% due 2016-2022	136,000	-	17,000	119,000
One hundred seventy-seventh series*	3%-5% due 2016-2043	336,600	-	14,055	322,545
One hundred seventy-eighth series*	5% due 2016-2043	464,725	-	11,340	453,385
One hundred seventy-ninth series	4%-5% due 2016-2043	893,705	-	26,955	866,750
One hundred eightieth series	3%-5% due 2016-2021	93,580	-	15,510	78,070
One hundred eighty-first series**	4.96% due 2046	500,000	-	-	500,000
One hundred eighty-second series**	5.31% due 2046	500,000	-	-	500,000
One hundred eighty-third series	3%-5% due 2025-2044	400,000	-	-	400,000
One hundred eighty-fourth series	3%-5% due 2016-2039	346,705	-	-	346,705
One hundred eighty-fifth series*	4%-5% due 2016-2034	483,460	-	12,625	470,835
One hundred eighty-sixth series*	4%-5% due 2016-2044	400,000	-	18,265	381,735
One hundred eighty-seventh series**	2.529%-4.426% due 2020-2034	250,000	-	-	250,000
One hundred eighty-eighth series*	3%-5% due 2016-2035	-	125,000	8,780	116,220
One hundred eighty-ninth series	2%-5% due 2016-2045	-	490,000	-	490,000
One hundred ninetieth series	5% due 2026-2038	-	160,000	-	160,000
One hundred ninety-first series**	4.823% due 2045	-	250,000	-	250,000
One hundred ninety-second series**	4.81% due 2065	-	500,000	-	500,000
One hundred ninety-third series*	1.5%-5% due 2016-2035	-	305,440	-	305,440
One hundred ninety-fourth series (b)	1.5%-5.25% due 2016-2055	-	1,194,560	-	1,194,560
Consolidated bonds and notes pursuant to Port Authority bond resolutions		\$19,229,020	\$ 3,025,000	\$1,234,095	\$21,019,925
Add unamortized premium and (discount)		478,918	334,755	45,779	767,894
Consolidated bonds and notes		<u>\$19,707,938</u>	<u>\$ 3,359,755</u>	<u>\$1,279,874</u>	<u>\$21,787,819</u>

(a) The One Hundred Seventieth series was acquired by the New York Liberty Development Corporation in connection with its issuance of the Corporation Liberty Revenue Bonds, Series 1WTC 2011 (Secured by Port Authority Consolidated Bonds).

(b) Includes amounts issued for the purpose of refunding Consolidated Bond Series One Hundred Forty-second, One Hundred Forty-fourth, and One Hundred Forty-eighth.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2015 are as follows:

<b>Year ending December 31:</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
	(In thousands)		
2016 <sup>(a)</sup>	\$ 946,895	\$ 993,770	\$ 1,940,665
2017 <sup>(a)</sup>	726,385	961,591	1,687,976
2018	353,090	933,893	1,286,983
2019	403,450	917,463	1,320,913
2020	412,155	896,665	1,308,820
2021-2025	2,390,745	4,161,945	6,552,690
2026-2030	2,999,700	3,505,838	6,505,538
2031-2035	3,702,795	2,669,377	6,372,172
2036-2040	2,925,145	1,849,308	4,774,453
2041-2045	2,305,220	1,205,173	3,510,393
2046-2050	1,153,835	777,157	1,930,992
2051-2055	952,760	532,033	1,484,793
2056-2060	1,109,440	290,831	1,400,271
2061-2065	538,310	72,109	610,419
2066-2094 <sup>(b)</sup>	100,000	149,246	249,246
	<b>\$ 21,019,925</b>	<b>\$ 19,916,399</b>	<b>\$ 40,936,324</b>

<sup>(a)</sup> Amounts include the expected refunding of Consolidated Bonds Series One hundred Forty-second, One hundred Forty-fourth, and One Hundred Forty-eighth.

<sup>(b)</sup> Debt service for the years 2066-2094 reflects principal and interest payments associated with Consolidated Bonds Ninety-third Series.

**Consolidated Bonds & Notes Outstanding**

	<b>Dec. 31, 2013</b>	<b>Issued/ Accreted</b>	<b>Refunded/ Retired</b>	<b>Dec. 31, 2014</b>
	(In thousands)			
Cumulative amounts prior to 2014	\$18,212,063	\$ 72	\$1,863,280	\$16,348,855
2014 Activity:				
One hundred eighty-first series**	-	500,000	-	500,000
One hundred eighty-second series**	-	500,000	-	500,000
One hundred eighty-third series	-	400,000	-	400,000
One hundred eighty-fourth series	-	346,705	-	346,705
One hundred eighty-fifth series*	-	483,460	-	483,460
One hundred eighty-sixth series*	-	400,000	-	400,000
One hundred eighty-seventh series**	-	250,000	-	250,000
<b>Consolidated Bonds &amp; Notes- Principal</b>	<b>18,212,063</b>	<b>2,880,237</b>	<b>1,863,280</b>	<b>19,229,020</b>
Add: unamortized premium and (discount)	326,216	173,206	20,504	478,918
<b>Total Consolidated Bonds and Notes</b>	<b>\$18,538,279</b>	<b>\$3,053,443</b>	<b>\$1,883,784</b>	<b>\$19,707,938</b>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**Note D - Outstanding Obligations and Financing (Continued)**

Consolidated bonds outstanding as of March 2, 2016 totaled \$20.7 billion.

On July 23, 2015, the Board of Commissioners established Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series, and authorized the issuance and sale of each series at a true interest cost to the Authority not in excess of 8 percent, for a term to maturity not in excess of one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the facilities to be provided with the proceeds of such series. The Board also established Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE, and authorized the issuance and sale of each series at a true interest cost to the Port Authority not in excess of 8 percent for a term not in excess of 3 years. The total aggregate principal amount of Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series, Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE, and Versatile Structure Obligations issued and sold shall not exceed \$10 billion. The Committee on Finance would be authorized to sell and to deliver all or any part of each of such series with such terms and at such time or times as it deems appropriate, at public or private sale, and would also be authorized to take, and to delegate authority for, certain actions with respect to each of such series. An Authorized Officer of the Authority would be authorized to take any and all action that could be taken by the Committee on Finance in connection with each of such series, provided, however, that such actions in connection with the decision to sell such series shall be subject to prior approval of the Committee on Finance.

During 2015, the Port Authority allocated the proceeds from the sale of consolidated bonds, including bond issuance premiums, to refund \$2 billion of consolidated bonds and \$9 million of commercial paper notes. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately \$150 million over the life of the refunded consolidated bonds. The economic gain resulting from the 2015 debt refundings (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) totaled approximately \$202 million in net present value savings.

**B. Commercial Paper Obligations**

Commercial paper obligations are special obligations of the Port Authority generally issued, to provide interim financing for authorized capital projects. Commercial paper obligations may be outstanding until December 31, 2020 pursuant to the July 2015 resolution authorizing their issuance. In July 2015, the Port Authority established a taxable commercial paper program, Series C (See *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

Under the current program, the maximum aggregate principal amount that may be outstanding at any one time is \$250 million for Series A, \$250 million for Series B and \$250 million for Series C. Commercial paper obligations are issued without third party provider support for payment at their maturity dates.

	<b>Dec. 31, 2014</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2015</b>
		(In thousands)		
Series A*	\$ 269,695	\$ 987,930	\$ 1,017,505	\$ 240,120
Series B	178,490	688,020	680,870	185,640
Series C**	-	-	-	-
	<b>\$ 448,185</b>	<b>\$1,675,950</b>	<b>\$ 1,698,375</b>	<b>\$ 425,760</b>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

	<b>Dec. 31, 2013</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2014</b>
		(In thousands)		
Series A*	\$ 192,415	\$ 751,000	\$ 673,720	\$ 269,695
Series B	155,695	512,590	489,795	178,490
	<u>\$ 348,110</u>	<u>\$1,263,590</u>	<u>\$1,163,515</u>	<u>\$ 448,185</u>

Interest rates for all commercial paper notes ranged from 0.01% to 0.11% in 2015.

**C. Variable Rate Master Notes**

Variable rate master notes are special obligations of the Port Authority and may be issued in aggregate principal amounts outstanding at any one time not to exceed \$400 million (See *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

	<b>Dec. 31, 2014</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2015</b>
		(In thousands)		
Agreements 1989 -1995*	\$ 44,900	\$ -	\$ -	\$ 44,900
Agreements 1989 -1998	33,000	-	-	33,000
	<u>\$ 77,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,900</u>

	<b>Dec. 31, 2013</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2014</b>
		(In thousands)		
Agreements 1989 -1995*	\$ 44,900	\$ -	\$ -	\$ 44,900
Agreements 1989 -1998	33,000	-	-	33,000
	<u>\$ 77,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,900</u>

Interest rates are determined weekly, based upon a spread added to a specific industry index (the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.06% to 0.19% in 2015.

Annual debt service requirements on outstanding variable rate master notes, determined for presentation purposes at the rate in effect at December 31, 2015, would be as follows:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

<b>Year ending December 31:</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
	(In thousands)		
2016	\$ -	\$ 60	\$ 60
2017	-	60	60
2018	-	60	60
2019	-	60	60
2020	-	60	60
2021-2025	77,900	117	78,017
	<b>\$77,900</b>	<b>\$417</b>	<b>\$78,317</b>

Variable rate master notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

**D. Port Authority Equipment Notes**

Port Authority equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed \$250 million. Equipment notes are payable in the same manner and from the same sources as operating expenses (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of obligations of the Port Authority).

	<b>Dec. 31, 2014</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2015</b>
	(In thousands)			
Notes 2008	\$ 31,500	\$ -	\$ 31,500	\$ -
	<b>\$ 31,500</b>	<b>\$ -</b>	<b>\$ 31,500</b>	<b>\$ -</b>

	<b>Dec. 31, 2013</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2014</b>
	(In thousands)			
Notes 2008*	\$ 1,615	\$ -	\$ 1,615	\$ -
Notes 2008	45,310	-	13,810	31,500
	<b>\$ 46,925</b>	<b>\$ -</b>	<b>\$ 15,425</b>	<b>\$ 31,500</b>

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.07% to 0.08% in 2015.

There are no outstanding Port Authority Equipment Notes as of December 31, 2015.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

Notes to Consolidated Financial Statements  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

**E. Fund for Regional Development Buy-Out Obligation**

	Dec. 31, 2014	Accretion <sup>(a)</sup>	Total Payment	Dec. 31, 2015
	(In thousands)			
Obligation outstanding	\$283,562	\$21,382	\$51,212	\$253,732

	Dec. 31, 2013	Accretion <sup>(a)</sup>	Total Payment	Dec. 31, 2014
	(In thousands)			
Obligation outstanding	\$311,077	\$23,699	\$51,214	\$283,562

(a) Represents the annual implicit interest cost of 8.25% contained in the present value of amounts due to the States of New York and New Jersey upon the termination, in 1990, of the Fund for Regional Development.

Payments related to the Fund for Regional Development Buy-Out Obligation are payable in the same manner and from the same sources as operating expenses (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of obligations of the Port Authority).

Payment requirements of the fund for regional development buy-out obligation outstanding, including the implicit interest cost, at December 31, 2015 are as follows:

<b>Year ending December 31:</b>	<b>Payments</b>
	(In thousands)
2016	\$ 51,211
2017	53,213
2018	53,214
2019	53,211
2020	53,210
2021	53,606
	<b>\$317,665</b>

For additional information associated with the fund for regional development buy-out obligation, refer to *Note H.3 – Regional Facilities and Programs*.

**F. Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY)**

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former MOTBY from the Bayonne Local Redevelopment Authority (BLRA) for \$235 million. The acquired property is comprised of three parcels on the southern side of the peninsula and has been incorporated into the Port Jersey – Port Authority Marine Terminal for future marine terminal purposes. The \$235 million total purchase price is payable to the BLRA in twenty-four annual installment payments (2010-2033).

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

Accordingly, the total purchase price of \$235 million was discounted to a present value of \$178.4 million at an implicit interest rate of 5.25% and recognized as a special obligation of the Port Authority in 2010 (See *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority).

	<b>Dec. 31, 2014</b>	<b>Accretion<sup>(a)</sup></b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2015</b>
		(In thousands)		
Obligation Outstanding	\$ 48,254	\$ 1,129	\$ 5,000	\$ 44,383

	<b>Dec. 31, 2013</b>	<b>Accretion<sup>(a)</sup></b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2014</b>
		(In thousands)		
Obligation Outstanding	\$ 52,329	\$ 925	\$ 5,000	\$ 48,254

(a) Represents the annual implicit interest cost of 5.25% contained in the present value of amounts due the BLRA.

Payment requirements for the MOTBY obligation outstanding, including the implicit interest cost, at December 31, 2015 are as follows:

<b>Year ending December 31:</b>	<b>Payments</b>
	(In thousands)
2016	\$ 5,000
2017	5,000
2018	5,000
2019	5,000
2020	5,000
2021-2025	25,000
2026-2030	25,000
2031-2033	15,000
	<b>\$90,000</b>

**G. Tower 4 Liberty Bonds**

In connection with the issuance of the Tower 4 Liberty Bonds by the New York Liberty Development Corporation on November 15, 2011, the Port Authority entered into a Tower 4 Bond Payment Agreement with Tower 4 Trustee to make, as a co-borrower/obligor with respect to the New York Liberty Development Corporation, Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project), debt service payments of principal and interest under the bonds as a special obligation of the Port Authority to the trustee during the term of the agreement, from May 11, 2012 through November 15, 2051 (see *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority).



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

Certain Port Authority debt service payments related to Tower 4 Liberty Bonds are reimbursable to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment not in excess of 40 years (see *Note L – Information with Respect to the Redevelopment of the World Trade Center Site* for additional information related to the redevelopment of WTC Tower 4).

	Dec. 31, 2014	Issued	Repaid/ Amortized	Dec. 31, 2015
			(In thousands)	
Series 2011	\$1,225,520	\$ -	\$ -	\$1,225,520
Add: unamortized premium	22,565	-	612	21,953
Total Tower 4 Liberty Bonds	\$1,248,085	\$ -	\$ 612	\$1,247,473

	Dec. 31, 2013	Issued	Repaid/ Amortized	Dec. 31, 2014
			(In thousands)	
Series 2011	\$1,225,520	\$ -	\$ -	\$1,225,520
Add: unamortized premium	23,177	-	612	22,565
Total Tower 4 Liberty Bonds	\$1,248,697	\$ -	\$ 612	\$1,248,085

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2015 would be as follows:

Year ending December 31:	Principal	Interest <sup>(a)</sup>	Debt Service
		(In thousands)	
2016	\$ -	\$ 65,293	\$ 65,293
2017	-	65,293	65,293
2018	-	65,293	65,293
2019	-	65,293	65,293
2020	-	65,293	65,293
2021-2025	-	326,467	326,467
2026-2030	109,345	318,599	427,944
2031-2035	170,455	282,855	453,310
2036-2040	217,875	235,437	453,312
2041-2045	278,500	174,810	453,310
2046-2050	363,610	89,706	453,316
2051	85,735	4,930	90,665
Total	\$1,225,520	\$ 1,759,269	\$2,984,789

(a) Excludes estimated fixed rent payments of \$576.6 million by the City of New York directly payable to the Tower 4 Liberty Bond trustee pursuant to the City of New York's Tower 4 space lease.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**Note D - Outstanding Obligations and Financing (Continued)**

**H. Goethals Bridge Replacement Capital Asset Obligation**

On August 30, 2013, the Port Authority and a private developer entered into an agreement (the Project Agreement) for the design, construction, financing and maintenance of a replacement Goethals Bridge (the Replacement Bridge). Pursuant to the Project Agreement, the private developer will perform certain operation and maintenance work, and the Port Authority will retain control over the toll collection system, including its operation and maintenance.

On November 8, 2013, the private developer obtained certain financing for the construction of the Replacement Bridge through the issuance by the New Jersey Economic Development Authority of \$460.9 million in tax-exempt private activity bonds, and a Transportation Infrastructure Finance and Innovation Act (TIFIA) direct loan in the amount of \$473.7 million (excluding capitalized interest) from the United States Department of Transportation, acting by and through the Federal Highway Administration. It is currently expected that substantial completion of the replacement bridge will occur in December 2017.

Pursuant to the Project Agreement, the Port Authority will make milestone payments to the private developer in the aggregate amount of \$150.0 million upon satisfactory achievement of certain milestones during construction of the Replacement Bridge. Upon the substantial completion of the Replacement Bridge, the Port Authority is required to make a payment to the private developer in the amount of \$1.02 billion, subject to certain adjustments for the construction of the Replacement Bridge. In lieu of a cash payment at that time, the developer will extend a loan in that principal amount to the Port Authority, to be repaid in monthly payments of principal and interest (DFA Payments). DFA Payments are a special obligation of the Port Authority, payable over the term of the Project Agreement, which has a scheduled expiration date on the thirty-fifth anniversary of the substantial completion date of the Replacement Bridge (See *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority). DFA Payments are subject to certain deductions for non-compliance by the private developer with the terms of the Project Agreement.

Substantial construction activities commenced in May 2014. The Port Authority, as owner of the Replacement Bridge currently being constructed has accrued to date \$431 million of the total \$1.02 billion capital asset financing obligation based on the percentage of construction completed as of December 31, 2015.

	<b>Dec. 31, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Dec. 31, 2015</b>
		(In thousands)		
Goethals Bridge Replacement Capital Asset Obligation	\$ 210,316	\$ 220,484	\$ -	\$ 430,800

DFA Payments, including implicit interest, expected to be made to the private developer after substantial completion of the Replacement Bridge are as follows:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**Note D - Outstanding Obligations and Financing (Continued)**

<b>Year ending December 31:</b>	<b>DFA Payments*</b>
	(In thousands)
2018	\$ 56,476
2019	57,323
2020	58,183
2021	59,056
2022	59,942
2023-2027	313,469
2028-2032	337,696
2033-2037	363,794
2038-2042	391,910
2043-2047	422,198
2048-2052	454,827
<b>Total</b>	<b>\$2,574,874</b>

\*Total DFA payments include the repayment of the \$1.02 billion developer loan and \$1.55 billion in implicit interest.

**Amounts Payable - Special Project Bonds**

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on special project bonds. Principal and interest on each series of special project bonds are secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

A summary of December 31, 2015 and December 31, 2014 Special Project Bonds follows:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

	Dec. 31, 2014	Issued	Repaid/ Amortized	Dec. 31, 2015
(In thousands)				
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2015	\$ 22,400	\$ -	\$ 22,400	\$ -
Less: unamortized discount	446	-	446	-
<b>Total - Series 2</b>	<b>21,954</b>	<b>-</b>	<b>21,954</b>	<b>-</b>
Series 4, KIAC Partners Project (b)*				
6.75% due 2015-2019	93,200	-	15,300	77,900
Less: unamortized discount	910	-	191	719
<b>Total - Series 4</b>	<b>92,290</b>	<b>-</b>	<b>15,109</b>	<b>77,181</b>
Series 6, JFKIAT Project (c)*				
5.75%-6.25% due 2015-2025	618,630	-	41,640	576,990
Less: unamortized discount	3,663	-	336	3,327
<b>Total - Series 6</b>	<b>614,967</b>	<b>-</b>	<b>41,304</b>	<b>573,663</b>
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	-	-	796,280
Less: unamortized discount	11,599	-	415	11,184
<b>Total - Series 8</b>	<b>784,681</b>	<b>-</b>	<b>(415)</b>	<b>785,096</b>
<b>Amounts payable - Special Project Bonds</b>	<b>\$1,513,892</b>	<b>\$ -</b>	<b>\$ 77,952</b>	<b>\$1,435,940</b>

- (a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in 1990 in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (with Continental and USAir, Inc. to remain liable under both underlying leases).
- (b) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (c) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK.
- (d) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note D - Outstanding Obligations and Financing (Continued)**

	Dec. 31, 2013	Issued	Repaid/ Amortized	Dec. 31, 2014
(In thousands)				
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2015	\$ 42,930	\$ -	\$ 20,530	\$ 22,400
Less: unamortized discount	933	-	487	446
<b>Total - Series 2</b>	<b>41,997</b>	<b>-</b>	<b>20,043</b>	<b>21,954</b>
Series 4, KIAC Partners Project (b)*				
6.75% due 2014-2019	108,500	-	15,300	93,200
Less: unamortized discount	1,101	-	191	910
<b>Total - Series 4</b>	<b>107,399</b>	<b>-</b>	<b>15,109</b>	<b>92,290</b>
Series 6, JFKIAT Project (c)*				
5.75%-6.25% due 2014-2025	657,805	-	39,175	618,630
Less: unamortized discount	3,999	-	336	3,663
<b>Total - Series 6</b>	<b>653,806</b>	<b>-</b>	<b>38,839</b>	<b>614,967</b>
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	-	-	796,280
Less: unamortized discount	12,014	-	415	11,599
<b>Total - Series 8</b>	<b>784,266</b>	<b>-</b>	<b>(415)</b>	<b>784,681</b>
<b>Amounts payable - Special Project Bonds</b>	<b>\$1,587,468</b>	<b>\$ -</b>	<b>\$ 73,576</b>	<b>\$1,513,892</b>

- (a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in 1990 in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (with Continental and USAir, Inc. to remain liable under both underlying leases).
- (b) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (c) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK.
- (d) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**Note E – General and Consolidated Bond Reserve Funds**  
**(pursuant to Port Authority Bond Resolutions)**

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which require the Port Authority to create and maintain the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2015, the General Reserve Fund balance was \$2,297,475,500 and met the prescribed statutory amount (see *Schedule C – Analysis of Reserve Funds*).

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds and Notes.

Commercial paper obligations, Variable rate master notes, MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement Capital Asset Obligation are special obligations of the Port Authority. The Port Authority is also a special limited co-obligor on the senior debt issued for WTC Tower 3, with a capped amount of debt service shortfalls payable as a special obligation of the Port Authority (See *Note L-Information with Respect to the Redevelopment of the World Trade Center Site*, for additional information related to certain contingent obligations of the Port Authority with respect to the development of WTC Tower 3).

Special obligations of the Port Authority are payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes, or from net revenues (as defined below) deposited into the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefore, from other moneys of the Port Authority legally available for such payments when due.

Net revenues for purposes of special obligations are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after, (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution.

Special obligations of the Port Authority are subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund statutes.

Special obligations of the Port Authority are not secured by or payable from the General Reserve Fund. Additionally, special obligations of the Port Authority do not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority.

Equipment notes and the Fund for regional development buy-out obligation are payable in the same manner and from the same sources as operating expenses.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

Special project bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2015, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

In addition, the Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund.

**Note F – Grants and Contributions in Aid of Construction**

During 2015 and 2014, the Port Authority received certain reimbursements related to certain policing programs as well as federal and state funding for operating and capital construction activities:

**1. Policing programs**

- a. K-9 Program – The FAA and the Transportation Security Administration (TSA) provided funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately \$1 million in 2015 and \$1.4 million in 2014.
- b. Airport Screening Program – The TSA provided approximately \$306,600 in each 2015 and 2014 to fund operating costs incurred by Port Authority police personnel involved with airport screening programs at JFK and EWR.
- c. U.S. Department of State (USDOS) – The Port Authority received \$604,432 in 2015 and \$734,523 in 2014 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

Amounts received in connection with the Port Authority Police Department providing services to a unrelated third party are considered exchange transactions and recognized as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Position.

**2. Grants in connection with operating activities**

- a. Security Grant Programs – In 2015 and 2014, the Port Authority recognized approximately \$68.3 million and \$154 million, respectively, for security related programs from the TSA for baggage screening at LGA, JFK and EWR and The New York State Office of Homeland Security grants.
- b. Superstorm Sandy – The Port Authority recognized \$33.3 million in 2015 and \$50.5 million in 2014 for FTA grants associated with Superstorm Sandy recovery efforts (for additional information on Superstorm Sandy see *Note K.6 – Commitments and Certain Charges to Operations*).

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**3. Contributions in Aid of Capital Construction**

- a. WTC Tower 3 and 4 – The Port Authority recognized \$314 million in 2015 and \$235 million in 2014 in capital contributions from the Silverstein net lessees for the construction of WTC Towers 3 and 4. In addition, in 2014, an \$80 million Contribution in aid of construction was applied from New York State related to the construction of WTC Tower 3.
- b. WTC Transportation Hub – The Port Authority recognized \$179 million in 2015 and \$250 million in 2014 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2015, the Port Authority has received \$2.6 billion from the FTA for the WTC Transportation Hub.
- c. Airport Improvement Program (AIP) – The Port Authority recognized \$35 million in 2015 and \$39 million in 2014 in AIP funding primarily related to School Soundproofing at LGA, JFK, EWR and Teterboro Airport.
- d. Superstorm Sandy – In 2015 and 2014, the Port Authority recognized \$40.7 million and \$10 million respectively, in FTA and FEMA capital contributions related to Superstorm Sandy permanent repairs primarily at PATH (For additional information on Superstorm Sandy see *Note K.6 – Commitments and Certain Charges to Operations*).
- e. Other – In 2015, the Port Authority recognized \$323 thousand from the Lower Manhattan Development Corporation (LMDC) for the WTC Cultural Project and \$520 thousand from the Battery Park City Authority related to the construction of the World Financial Center Route 9-A Underpass.

**Note G - Lease Commitments**

**1. Operating lease revenues**

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately \$1.1 billion in each of 2015 and 2014.

**2. Property held for lease**

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport and the WTC. Investments in such facilities, as of December 31, 2015, include property associated with minimum rentals derived from the leases. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2015 are as follows:



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

<b>Year ending December 31:</b>	<b>Minimum Rentals</b>
	(In thousands)
2016 (a)	\$ 1,159,062
2017	989,971
2018	889,036
2019	777,071
2020	750,197
2021-2100 (b)	24,348,353
<b>Total future minimum rentals (c)</b>	<b>\$ 28,913,690</b>

(a) Includes \$126 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture.

(b) Includes future minimum rentals of approximately \$14 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.

(c) Future minimum rentals exclude approximately \$223 million attributable to the transfer of the Port Authority's interests in the WTC Retail Joint Venture that are contingent upon the construction of retail space located within WTC Towers 2 and 3. In addition, \$165 million in contingent rentals related to certain lease agreements at One WTC are excluded from minimum rentals until such time as specific events occur related to the construction of the leased space.

**3. Property leased from others**

Rental payments include, payments to the Cities of New York and Newark related to Air and Marine terminals and other leased facilities, including rent related to the Port Authority's WTC Tower 4 corporate headquarters leased space. Rent payments totaled \$325 million in 2015 and \$299 million in 2014, respectively. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2015 are detailed below. Additional rents may be payable based on operating net revenues or gross operating revenues of specified facilities.

<b>Year ending December 31 :</b>	<b>Minimum Rentals</b>
	(In thousands)
2016	\$ 344,121
2017	326,181
2018	325,397
2019	296,909
2020	278,477
2021-2025	1,375,636
2026-2030	1,382,168
2031-2035	1,407,568
2036-2040	1,387,379
2041-2045	1,325,456
2046-2099*	2,371,651
<b>Total future minimum rent payments</b>	<b>\$10,820,943</b>

\* Future minimum rent payments for the years 2046-2099 consist of future payments relating to leased Marine and Air Terminals, including the operating lease related to Stewart International Airport, which expires in 2099.

**Note H – Regional Facilities and Programs**

- At the request of the Governors of the States of New York and New Jersey, the Port Authority participates in certain programs that are deemed essential to the continued economic viability of the two states and the region. These programs, which are generally non-revenue producing to the Port Authority, are addressed by the Port Authority in its budget and business planning process in the context of the Port Authority's overall financial capacity. To the extent not otherwise a part of existing Port Authority facilities, these projects are effectuated through additional Port Authority

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

facilities established solely for these purposes. The Port Authority does not expect to derive any revenues from regional development facilities described below.

- **Regional Development Facility** (certified in 1987) – This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that \$250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2015, approximately \$249 million has been expended under this program.
- **Regional Economic Development Program** (certified in 1989) – This facility is to be comprised of up to \$400 million for certain transportation, economic development and infrastructure renewal projects. Net expenditures on projects authorized under this program totaled approximately \$397 million as of December 31, 2015.
- **Oak Point Rail Freight Link** (certified in 1981) – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2015, the Port Authority has provided approximately \$102 million for this rail project, of which approximately \$63 million was made available through the Regional Development Facility and the Regional Economic Development Program.
- **New Jersey Marine Development Program** (certified in 1989) – This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed \$27 million. All funds under this program have been fully allocated and expended.
- **New York Transportation, Economic Development and Infrastructure Renewal Program** (certified in 2002) – This facility was established to provide up to \$250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2015, \$249 million has been spent on projects associated with this program.
- **Regional Transportation Program** (certified in 2002) – This facility was established in conjunction with a program to provide up to \$500 million for regional transportation initiatives. All funds under this program have been fully allocated and expended.
- **Hudson-Raritan Estuary Resource Programs** (certified in 2002 and 2014) – These facilities were established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's capital program. The cost of real property acquired under these programs are not to exceed \$120 million. As of December 31, 2015, approximately \$54 million has been expended under this program.
- **Regional Rail Freight Program** (certified in 2002) – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to \$50 million. All funds under this program have been fully allocated and expended.
- **Meadowlands Passenger Rail Facility** (certified in 2006) – This facility, which links New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, encourages greater use of PATH service since NJT runs shuttle bus service at peak times to

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

Hoboken. The improved level of passenger rail service provided by the facility also serves to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to \$150 million towards the project's capital costs. All funds under this program have been fully allocated and expended.

As of December 31, 2015, approximately \$2.1 billion has been expended for regional programs. Costs for these programs that are not otherwise recognized as part of an existing Port Authority facility, are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

	Dec. 31, 2014	Project Expenditures	Amortization	Dec. 31, 2015
			(In thousands)	
Regional Development Facility	\$ 12,973	\$ -	\$ 5,490	\$ 7,483
Regional Economic Development Program	30,611	-	13,675	16,936
Oak Point Rail Freight Link	3,259	-	1,630	1,629
New Jersey Marine Development Program	1,692	-	834	858
New York Transportation, Economic Development and Infrastructure Renewal Program	57,396	2,552	9,436	50,512
Regional Transportation Program	110,053	-	16,667	93,386
Hudson-Raritan Estuary Resources Program	34,112	-	3,600	30,512
Regional Rail Freight Program	15,496	-	3,333	12,163
Meadowlands Passenger Rail Facility	77,395	-	10,000	67,395
<b>Total unamortized costs of regional programs</b>	<b>\$342,987</b>	<b>\$ 2,552</b>	<b>\$ 64,665</b>	<b>\$280,874</b>

**2. Bi-State Initiatives** – From time to time, the Port Authority makes payments to assist various bi-state initiatives that are charged to operation. During 2015, the Port Authority expended approximately \$2.1 million on bi-state initiatives, bringing the total amount spent to date to approximately \$177 million.

**3. Buy-Out of Fund for Regional Development** – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the WTC that was previously held by the State of New York as a tenant. An agreement among the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the fund's interest in the WTC subleased space was approximately \$431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund for regional development buy-out obligation is further described in *Note D (e) – Outstanding Obligations and Financing*.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**Note I - Pension Plans**

**Port Authority Employees**

Generally, full-time employees of the Port Authority (but not its component units) are required to join one of two cost-sharing multiple-employer defined benefit pension plans administered by the New York State Comptroller's Office; the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the New York State and Local Retirement System (NYSLRS). The New York State Constitution provides that membership in a pension plan or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired.

Classes of employees covered under the NYSLRS range from Tiers 1–6. Date ranges determining tier membership follows:

Tier	ERS Membership		PFRS Membership	
	On or After:	Before:	On or After:	Before:
1	-	July 1, 1973	-	July 31, 1973
2	July 1, 1973	July 27, 1976	July 31, 1973	July 1, 2009
3	July 27, 1976	September 1, 1983	July 1, 2009	January 9, 2010
4	September 1, 1983	January 1, 2010	N/A	N/A
5	January 1, 2010	April 1, 2012	January 9, 2010	April 1, 2012
6	April 1, 2012	Present	April 1, 2012	Present

Members in Tiers 1–4 need five (5) years of service to be 100 percent vested. Tiers 5–6 members require ten (10) years of service credit to be 100 percent vested.

Participating employers are required under the provisions of the New York State Retirement and Social Security Law (RSSL) to contribute to the NYSLRS at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2015 was approximately 20.1 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2015 was approximately 27.6 percent of payroll.

Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to the respective NYSLRS plans. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten (10) or more years of membership or credited service with the NYSLRS, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Benefits for each NYSLRS plan are established and may be amended under the provisions contained in the New York State RSSL.

Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62. Generally, the benefit for Tier 1 and Tier 2 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62. Generally, the benefit for Tier 3, Tier 4 and Tier 5 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For ERS Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. For PFRS Tier 5 (there are no Port Authority members enrolled in PFRS Tier 3 and 4), each year used in the final average salary calculation is limited to no more than 20 percent of the average of the previous two years.

Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Generally, the benefit for Tier 6 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Certain Port Authority PFRS members belong to 25-Year Plans, which allows for retirement after 25 years of service with a benefit of one-half of final average salary or 20-Year Plans, which allows for retirement after 20 years of service with a benefit of one-half of final average salary.

Port Authority 2015 contributions to the NYSLRS totaled \$116.7 million including, \$63.1 million to ERS and \$53.6 million to PFRS.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**NYSLRS – Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

**NYSLRS – Net Pension Liability (NPL)**

GASB Statement No. 68 defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan’s fiduciary net position determined as of a measurement date established by the employer. For purposes of measuring the NPL, the plan’s fiduciary net position has been determined on the same basis as they are reported for ERS and PFRS. Benefit payments are recognized when due and payable in accordance with the benefit terms and investments are measured at their fair value.

At December 31, 2015, the Port Authority’s NPL totaled \$69.4 million related to its proportionate share of each of the NYSLRS plans, including a \$44.9 million NPL related to ERS and a \$24.5 million NPL related to PFRS. These NPLs were measured as of March 31, 2015, based on an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the TPL to March 31, 2015. The Port Authority’s proportionate share of the ERS and PFRS NPLs were actuarially determined based on the projection of the Port Authority’s long-term share of contributions to each respective plan relative to the projected long-term contributions of all participating employers of each plan. At March 31, 2015, the Port Authority’s proportionate share of the ERS NPL was 1.3% and PFRS NPL was 8.9%.

**NYSLRS – Pension Expense**

For the twelve months ended December 31, 2015, pension expense related to NYSLRS totaled \$97.2 million, including \$41.9 million related to ERS and \$55.3 million related to PFRS.

**NYSLRS – Deferred Inflows/Outflows of Resources**

GASB Statement No. 68 requires certain changes in the NPL to be recognized as deferred inflows of resources or deferred outflows of resources. These deferred outflows and deferred inflows of resources are amortized as either an increase or decrease to future years pension expense, using a systematic and rational method over a closed period.

At December 31, 2015, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

<b>Deferred Outflows of Resources</b>	<b>ERS</b>	<b>PFRS</b>	<b>TOTAL</b>
		(In thousands)	
Differences between expected and actual experience	\$ 1,438	\$ 2,952	\$ 4,390
Net difference between projected and actual earnings on pension plan investments	7,800	8,222	16,022
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	5,239	-	5,239
Port Authority contributions subsequent to the measurement date*	63,072	53,652	116,724
<b>Total Deferred Outflows of Resources</b>	<b>\$ 77,549</b>	<b>\$ 64,826</b>	<b>\$ 142,375</b>

\*Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan’s Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

<b>Deferred Inflows of Resources</b>	<b>ERS</b>	<b>PFRS</b>	<b>TOTAL</b>
	(In thousands)		
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	\$ -	\$ 7,555	\$ 7,555
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ 7,555</b>	<b>\$ 7,555</b>

The amounts of deferred outflows of resources associated with contributions made subsequent to the measurement date will be recognized as a reduction to the ERS and PFRS NPL for the fiscal year ended December 31, 2016. The remaining deferred outflows and deferred inflows of resources related to NYSLRS plans to be recognized in future years' pension expense are as follows:

Year ended December 31:	ERS	PFRS
	(In thousands)	
2016	\$ 3,619	\$ 1,135
2017	3,619	1,135
2018	3,619	1,135
2019	3,620	1,134
2020	-	(920)
<b>Total</b>	<b>\$ 14,477</b>	<b>\$ 3,619</b>

**NYSLRS – Actuarial Assumptions**

The TPL for each plan was determined using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the TPL to the measurement date of March 31, 2015. These actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation	7.5% compounded annually, net of investment expenses, including inflation
Salary Scale	4.9%, indexed by service	6.0%, indexed by service
Inflation	2.7%	2.7%

Mortality rates are based on each Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010, with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pensions Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 for both ERS and PFRS are summarized in the following table below:

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38%	7.30%
International equity	13%	8.55%
Private equity	10%	11.00%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real assets	3%	8.65%
Bonds and mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4.00%
Total	100%	

**NYSLRS – Discount Rate**

The discount rate used to calculate the TPL of each NYSLRS plan was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rates and that employer contributions will be made at their contractually required rates, as actuarially determined.

Based upon these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for both ERS and PFRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL for each plan.

The following table presents the Port Authority's proportionate share of the NPL for ERS and PFRS calculated using the discount rate of 7.5 percent, as well as what the Port Authority's proportionate share of the NPL for ERS and PFRS would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current (7.5%).

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
	(In thousands)		
ERS - Port Authority's proportionate share of the NPL	\$299,320	\$44,906	\$(169,882)
PFRS - Port Authority's proportionate share of the NPL	326,073	24,490	(228,254)
Total	\$625,393	\$69,396	\$(398,136)

Detailed information about the fiduciary net position and valuation methods related to ERS and PFRS can be found in the NYSLRS Annual Report as of and for the year ended March 31, 2015, which is publically available at the following web address:  
[http://www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php#financial](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php#financial)

Additional information related to the Port Authority's proportionate share of the net pension liability for ERS and PFRS and the Port Authority's contributions to ERS and PFRS can be found in the Required Supplementary Information (RSI) section of this report following the appended notes.



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

**New York State Voluntary Defined Contribution Program (VDC)**

Non-represented New York State public employees hired on or after July 1, 2013 with estimated annual wages of \$75,000 or more are eligible to participate in the VDC by electing out of the ERS defined benefit pension plan. The VDC plan is administered by TIAA-CREF. System benefits and contribution requirements are established and may be amended under provisions of the New York State Retirement and Social Security Law.

An electing VDC employee contributes up to six percent (6%) of their annual gross wages with an additional employer contribution of eight percent (8%) of the employee's annual gross wages.

As of December 2015, 90 employees were enrolled in the VDC program since inception. The following table shows employee and employer contributions (reported as pension expense):

	2015	2014
Employer Contributions	\$ 559,028	\$240,933
Employee Contributions	449,134	178,254
<b>Total</b>	<b>\$1,008,162</b>	<b>\$419,187</b>

**Port Authority Trans-Hudson Corporation (PATH) Employees**

**Federal Railroad Retirement Program**

Employees of PATH are not eligible to participate in NYSLRS. In accordance with Federal Railroad Retirement legislation enacted in 1935, and amended thereafter, all PATH employees are members of the two tiered Federal Railroad Retirement Program administered by the U.S. Railroad Retirement Board. The Federal Railroad Retirement Program is a cost sharing defined benefit pension plan, providing benefits to employees of governmental and private sector railroad entities. Program benefits are established and may be amended by federal legislation. Under the Federal Railroad Retirement Program, employees are entitled to retirement benefits related to years of railroad service, age and salary. Survivor and disability benefits are also available to members based on program eligibility requirements. Vesting of benefits is determined after a set period of credited railroad service. Funding of the Federal Railroad Retirement Program is legislatively determined through the collection of employer and employee Railroad Retirement Taxes. In 2015, 1,204 PATH employees participated in the Federal Railroad Retirement Program.

Employer and employee contributions to the Federal Railroad Retirement Program were as follows:

<b>Railroad Retirement Tier I</b>	<b>Employee Tax Rate</b>	<b>Employee Taxes</b>	<b>Employer Tax Rate</b>	<b>Employer Taxes</b>	<b>Total Taxes</b>
(\$ In thousands)					
2015	7.65%	\$ 7,747	7.65%	\$ 7,747	\$ 15,494
2014	7.65%	8,119	7.65%	8,119	16,238
<b>Railroad Retirement Tier II</b>	<b>Employee Tax Rate</b>	<b>Employee Taxes</b>	<b>Employer Tax Rate</b>	<b>Employer Taxes</b>	<b>Total Taxes</b>
(\$ In thousands)					
2015	4.9%	\$4,379	13.1%	\$11,707	\$ 16,086
2014	4.4%	3,971	12.6%	11,371	15,342

Detailed information about the Federal Railroad Retirement Program can be found in the U.S. Federal Railroad Retirement Board Performance and Accountability Report, which is publically available at the following web address: <http://www.rrb.gov/pdf/oig/reports/1601.pdf>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**PATH Represented Employees**

For PATH employees covered under collective bargaining agreements, PATH makes defined contributions to supplemental pension plans that are administered exclusively by trustees comprised of and appointed by union members. Benefits are established and may be amended at the sole discretion of the trustees. PATH is not responsible for any funding deficiencies related to these supplemental pension plans. PATH's sole responsibility related to these supplemental pension plans are contributions defined in the various collective bargaining agreements. Contributions by PATH to these supplemental pension plans totaled approximately \$6.4 million in 2015 and \$6.4 million in 2014.

**PATH Exempt Employee Supplemental Pension Plan**

Employees of PATH who are not covered by collective bargaining agreements (sometimes referred to as PATH Exempt Employees) are members of the PATH Exempt Employees Supplemental Pension Plan, amended and restated as of January 1, 2011 (the Plan). The Plan is a non-contributory, unfunded, single-employer, defined benefit, qualified governmental pension plan administered by PATH. The Plan provides retirement benefits related to years of service as a PATH Exempt Employee and final average salary, death benefits for active PATH Exempt Employees, vesting of retirement benefits after a set period of credited service as a PATH Exempt Employee, and optional methods of retirement benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years of service requirement and the benefit formula used in calculating retirement benefits.

On August 22, 2013, The Port Authority established the PATH Exempt Employees Supplemental Pension Plan Trust with Wells Fargo Institutional Retirement Trust services as Trustee. As of December 31, 2015, no amounts have been deposited into the trust to prefund future pension obligations.

**PATH Exempt Employee Supplemental Pension Plan – Total Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

**PATH Exempt Employee Supplemental Pension Plan – Total Pension Liability**

GASB Statement No. 68 defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan's fiduciary net position. As the Plan is currently unfunded and has no plan assets, the TPL and NPL are of equal amounts. The Plan's TPL reported at December 31, 2015 was measured as of January 1, 2015 based on an actuarial valuation as of the same date. The plan's TPL for the year ended December 31, 2015 was \$81.1 million. Changes in the TPL from the previous measurement date are as follows:

	Total Pension Liability
	(In thousands)
Balance as of 12/31/2014 (based on 1/1/2014 Measurement Date)	\$69,630
Changes recognized for the fiscal year:	
Service cost	900
Interest on the total pension liability	3,271
Differences between expected and actual experience	51
Changes in assumptions	10,632
Benefit payments (1/1/14 -12/31/14)	(3,389)
Net change in TPL	11,465
Balance recognized at 12/31/2015 (based on 1/1/2015 Measurement Date)	\$81,095

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**PATH Exempt Employee Supplemental Pension Plan – Pension Expense**

For the twelve months ended December 31, 2015, pension expense related to the Plan totaled \$6.7 million.

**PATH Exempt Employee Supplemental Pension Plan – Deferred Outflows of Resources**

At December 31, 2015, the Port Authority reported deferred outflows of resources:

	Deferred Outflows
	(In thousands)
Differences between actual and expected experience	\$ 39
Assumption changes	8,143
Contributions subsequent to the measurement date*	4,702
<b>Total</b>	<b>\$ 12,884</b>

\*Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

GASB Statement No. 68 requires certain changes in the TPL to be recognized as deferred inflows of resources or deferred outflows of resources. These deferred outflows and deferred inflows of resources, are amortized as either an increase or decrease to future years pension expense using a systematic and rational method over a closed period.

The amounts of deferred outflows of resources associated with contributions made subsequent to the measurement date will be recognized as a reduction to the TPL for the fiscal year ended December 31, 2016. The remaining deferred outflows of resources and deferred inflows of resources related to the PATH Exempt Employee Supplemental Pension Plan to be recognized in future years pension expense are as follows:

Year ended December 31,	(In thousands)
2016	\$ 2,501
2017	2,501
2018	2,501
2019	679
<b>Total</b>	<b>\$ 8,182</b>

**PATH Exempt Employee Supplemental Pension Plan – Actuarial Assumptions**

The TPL measured as of January 1, 2015, based on an actuarial valuation as of the same date was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	N/A

Actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to December 31, 2014. Mortality rates used in the valuation were based on RP-2000 Fully Generational Scale AA Combined Healthy Mortality Table. Projections of benefits for financial reporting purposes are based on the terms of the Plan as described by PATH to participants, and include the types of benefits provided at the time of each valuation.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

As of the January 1, 2015 valuation date, Plan participants comprised:

Retired PATH Exempt Employees (or their beneficiaries)	93
Active PATH Exempt Employees	92
Terminated but vested employees who are not currently receiving benefits	25
<b>Total participants</b>	<b>210</b>

**PATH Exempt Employee Supplemental Pension Plan– Discount Rate**

Because the plan is unfunded, the discount rate used for the actuarial valuation is based on the 20-year municipal Bond Buyer Index for general obligations, which totaled 3.56% as of the January 1, 2015 measurement date. The discount rate applied in the valuation at the prior measurement date of January 1, 2014 was 4.75%.

The following table presents the Plan’s TPL calculated using the discount rate of 3.56 percent, as well a discount rate that is 1 percentage-point lower (2.56 percent) or 1 percentage-point higher (4.56 percent) than the current rate used.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
		(In thousands)	
<b>Total Pension Liability</b>	<b>\$91,982</b>	<b>\$81,095</b>	<b>\$72,015</b>

**Note J – Other Postemployment Employee Benefits (OPEB)**

**Benefit Plans**

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for retired employees of the Port Authority and PATH (includes eligible dependents and survivors of retired employees). Collectively, these covered individuals are referred to as “participants.” Contributions toward the costs of these benefits are required of certain non-represented participants. Retiree contributions for certain non-represented participants generally range from 3% to 100% of the Port Authority’s or PATH’s cost of providing retiree benefits and are dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings and retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH.

**OPEB Actuarial Methods and Assumptions**

The actuarially determined valuation of OPEB is reviewed annually for the purpose of estimating the present value of postemployment benefits earned by plan participants as of the valuation.

Projections of benefits for financial reporting purposes are based on the benefit plans as described by the Port Authority and PATH to participants, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment with a salary scale at a rate of 3% per year, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2015 actuarial valuation of the Port Authority and PATH OPEB obligation, the projected unit credit cost method was used for all 14,800 participants (7,487 active, 5,773 retirees, and 1,540 surviving spouses). The actuarial assumptions used to project future costs included a 6.75% investment rate of return (discount rate), representing the estimated yield on investments expected to be used for the payment of benefits; medical healthcare cost trend rates of 8% for Pre-65 year-old participants and 6.5% for Post-65 year-old participants, declining to an ultimate medical healthcare cost trend rate of 5% in 2022 (including 2.5% inflation factor), a pharmacy benefit cost trend rate of 7%, increasing to 10% in 2016 and decreasing to 5% in 2022; a dental benefit cost trend rate of 5% per year for all years; and an Employer Group Waiver Plan (EGWP) savings of 5% per year for all years. The unfunded Actuarial Accrued Liability (AAL) is being amortized as a level dollar amount over an open period of 30 years.

**OPEB Costs and Obligations**

OPEB benefit costs and obligations are actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The AAL, representing the amount of OPEB benefits earned by plan participants in prior periods, totaled \$2.6 billion as of January 1, 2015. The unfunded AAL, totaling \$1.8 billion represents the difference between the AAL of \$2.6 billion and the amount of plan assets of \$859 million.

The following reflects the components of the 2015 and 2014 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2015 and 2014 actuarial valuations:

	<b>2015</b>	<b>2014</b>
	(In millions)	
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	\$ 40.5	\$ 40.8
Amortization cost	<b>139.0</b>	131.4
Total ARC	<b>179.5</b>	172.2
Adjustments to ARC	<b>(33.3)</b>	(40.3)
Annual OPEB cost	<b>\$ 146.2</b>	<b>\$ 131.9</b>
	<b>2015</b>	<b>2014</b>
	(In millions)	
Net OPEB Obligation:		
Net OPEB obligation at the beginning of fiscal year	\$ 160.4	\$ 250.4
Annual OPEB cost	<b>146.2</b>	131.9
Employer contributions:		
OPEB payments	<b>(129.2)</b>	(121.9)
Trust contributions	<b>(100.0)</b>	(100.0)
Total employer contributions	<b>(229.2)</b>	(221.9)
Net accrued OPEB obligation as of December 31,	<b>\$ 77.4</b>	<b>\$ 160.4</b>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

The normal cost of \$40.5 million represents the amount of OPEB benefits earned by plan participants in the current period.

Amortization of the unfunded AAL totaling \$139 million represents the annual funding requirement that if paid quarterly over a thirty-year period at 6.75% is projected to satisfy the unfunded AAL of \$1.8 billion.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. Effective January 1, 2009, the Port Authority contracted with Express Scripts, Inc. for an Employee Group Waiver Plan (CMS approved series 800 plan) covering its retirees. Under the contract, Express Scripts, Inc. assumed responsibility for the administrative and compliance obligations imposed by CMS. In 2015, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately \$2.5 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2015 and the two preceding years, were as follows:

Year	Annual OPEB Cost	OPEB Payments as a % of Annual OPEB Cost	Net Accrued OPEB Obligation
(\$ In thousands)			
2015	\$146,154	158%	\$ 77,424
2014	131,943	168%	160,430
2013	120,494	176%	250,441

**Funding Status**

On December 14, 2006, the Port Authority established a restricted fund to provide funding for postemployment employee benefits. Port Authority quarterly contributions to The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Trust), with Wells Fargo Bank, N.A-Institutional Trust Services serving as the Trustee currently total \$25 million. In 2015 and 2014, annual contributions to the Trust totaled \$100 million respectively.

OPEB Trust assets (at fair value), the AAL, the unfunded AAL for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded AAL to covered payroll for 2015 were as follows:

Actuarial Valuation Date	OPEB Trust Assets*	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
(\$ In millions)						
1/1/15	\$859	\$2,642	\$1,783	33%	\$739	241%

\*OPEB trust net position totaled \$955.6 million as of December 31, 2015.

The schedule of funding progress for the current year and the two preceding years is presented as required supplementary information immediately following the notes to the financial statements, and presents

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Following are the Condensed Statements of Trust Net Position and Changes in Trust Net Position held in trust for OPEB for 2015 and 2014. The activities of the trust are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

**Statements of Trust Net Position**

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(In thousands)	
<b>Assets</b>		
Cash	\$ 32,035	\$ 58,024
Investments, at fair value	957,098	854,798
Accounts receivable	160	2,645
Total assets	989,293	915,467
<b>Liabilities</b>		
Accounts payable	33,706	56,089
Total liabilities	33,706	56,089
<b>Net Position Held In Trust For OPEB</b>	\$ 955,587	\$ 859,378

**Statements of Changes in Trust Net Position**

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(In thousands)	
<b>Additions</b>		
Contributions*	\$ 229,159	\$ 221,953
Investment income:		
Net change in fair value of investments	(24,896)	32,830
Interest income	22,527	19,759
Total net investment income (loss)	(2,369)	52,589
<b>Deductions</b>		
Benefit payments, administrative expenses and fees*	(130,581)	(122,846)
Total deductions	(130,581)	(122,846)
<b>Net Increase</b>	96,209	151,696
Trust net position, January 1	859,378	707,682
<b>Net Position Held In Trust For OPEB</b>	\$ 955,587	\$ 859,378

\*Includes Port Authority payments totaling \$129.2 million in 2015 and \$121.9 million in 2014 that were paid to OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments are not included as part of the Trust's activities.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

The audited financial statements for the years ended December 31, 2015 and December 31, 2014 of the Trust, which provides additional information concerning trust assets, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

**Note K– Commitments and Certain Charges to Operations**

1. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions by the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2015, the Port Authority had entered into various construction contracts totaling approximately \$5.4 billion, which are expected to be completed within the next three years.

3. Other amounts receivable, net recognized on the Consolidated Statements of Net Position totaled \$52.5 million at December 31, 2015, and is comprised of the following:

	<b>Dec. 31, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Dec. 31, 2015</b>
		(In thousands)		
Long-term receivables from tenants	\$29,948	\$39,587	\$41,417	\$28,118
Installment due from the ECRR operator	1,245	-	182	1,063
Insurance receivable - Superstorm Sandy	1,204	290	123	1,371
Advances for construction projects	1,000	-	780	220
Amounts due from Tower 4 Liberty Bonds	6,128	36,766	36,766	6,128
Other	17,115	-	1,541	15,574
<b>Total other amounts receivable, net</b>	<b>\$56,640</b>	<b>\$76,643</b>	<b>\$80,809</b>	<b>\$52,474</b>

4. The 2015 balance of Other noncurrent liabilities consists of the following:

	<b>Dec. 31, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Dec. 31, 2015</b>
		(In thousands)		
Self Insured Worker's Compensation Claims	\$ 63,915	\$ 17,383	\$ 19,876	\$ 61,422
Self Insured Public Liability Claims	77,296	3,117	21,513	58,900
Pollution remediation obligation	21,415	5,858	8,780	18,493
Asset forfeiture program	23,510	3,921	1,499	25,932
Surety and security deposits	7,026	193	2,649	4,570
WTC Joint Venture Preferred Returns	28,285	27,533	18,111	37,707
Vacated temporary offices exit obligations	42,813	-	28,668	14,145
Goethals Bridge replacement milestones	22,684	24,498	-	47,182
Deferred Gain/Loss on NLCC	4,761	-	-	4,761
Other	41,248	416	5,041	36,623
<b>Total Liabilities</b>	<b>\$332,953</b>	<b>\$ 82,919</b>	<b>\$ 106,137</b>	<b>\$309,735</b>
Less current worker's compensation liability	17,237			16,090
<b>Total other non-current liabilities</b>	<b>\$315,716</b>			<b>\$293,645</b>



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Notes to Consolidated Financial Statements**  
(continued)

Unearned income related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture is (For additional information See *Note K- Information with Respect to the Redevelopment of the World Trade Center Site*):

	<b>Dec. 31, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Dec. 31, 2015</b>
	(In thousands)			
Unearned Income related to WTC Retail Joint Venture	\$645,485	\$66,963	\$7,751	\$704,697

5. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, an operating expense provision and corresponding liability measured at its current value using the expected cash flow method is recognized when an obligating event occurs. In 2015, the Port Authority recognized an additional \$5.8 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation facilities. Cumulative operating expense remediation provisions through December 31, 2015 totaled \$72 million, net of \$2.1 million in expected recoveries.

As of December 31, 2015, the outstanding pollution remediation liability totaled \$18.5 million, primarily consisting of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, soil contamination, and arsenic contamination at Port Authority facilities.

6. In October 2012, Superstorm Sandy disrupted Port Authority activities at the airports, bridges and tunnels, marine terminals, the WTC site and the PATH system. Most of the Port Authority's facilities are located in low-lying areas surrounding the New York-New Jersey harbor, and all were affected to one degree or another by winds, storm surge and power outages. The PATH system sustained the greatest damage, with significant flooding at several stations, under-river tunnels, tracks and substations. All of the Port Authority's facilities returned to full operation, with the disruption in service for the most part lasting less than a week.

Net revenue associated with Superstorm Sandy totaled \$123,000 in 2015 due to the receipt of additional insurance recoveries.

In addition, the Port Authority recognized approximately \$33.3 million in grants from the FTA associated with Superstorm Sandy immediate repairs and \$40.7 million in contributions in aid of construction for permanent repairs and resiliency projects at PATH. These amounts are included as a component of Grants in connection with operating activities or Contributions in aid of construction on the Port Authority's Consolidated Statements of Revenues, Expenses and Changes in Net Position.

	2015	2014	2013	2012	Cumulative
	(In thousands)				
Immediate Repair Expenses	\$ -	\$ 22,498	\$ 119,752	\$120,607	\$ 262,857
Write-off of Destroyed Assets	-	-	232,348	15,724	248,072
Insurance Recoveries	(123)	(76,028)	(380,329)	(106,331)	(562,811)
Net (Revenue)/Expense associated with Superstorm Sandy	(123)	(53,530)	(28,229)	30,000	(51,882)
Add:					
Contributions in aid of construction associated with Superstorm Sandy	(40,748)	(10,030)	-	-	(50,778)
Grants associated with Superstorm Sandy	(33,268)	(50,508)	(95,678)	-	(179,454)
<b>Total Impact</b>	<b>\$(74,139)</b>	<b>\$(114,068)</b>	<b>\$(123,907)</b>	<b>\$30,000</b>	<b>\$(282,114)</b>

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**Note L – Information with Respect to the Redevelopment of the World Trade Center Site**

**Conceptual Framework for the Redevelopment of the Office, Retail and Other Components of the World Trade Center**

The terms of the original July 2001 net leases established both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority.

The redevelopment of the WTC provides for approximately 10 million square feet of above-grade office space with associated storage, mechanical, loading, below-grade parking, and other non-office space, and consists of One World Trade Center, Tower 2, Tower 3, Tower 4, Tower 5, approximately 450,000 square feet of retail space, a WTC Transportation Hub, a memorial and interpretive museum (Memorial/Museum) and cultural facilities and related infrastructure. A December 2010 World Trade Center Amended and Restated Master Development Agreement (MDA), among the Port Authority, PATH, 1 WTC LLC, WTC Retail LLC, and the Silverstein net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction on the WTC site, including the allocation of construction responsibilities and costs between the parties to the MDA.

Future minimum rentals (See *Note G – Lease Commitments*) include rentals of approximately \$14 billion relating to the net leases for WTC Towers 2, 3 and 4. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the WTC will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties.

**One World Trade Center**

In November 2006, as part of the continuing redevelopment of the WTC, the Port Authority acquired from Silverstein Properties 100% of the membership interests in 1 WTC LLC, the then-net lessee of One World Trade Center and Tower 5, which will comprise, in the aggregate, approximately 4.2 million square feet of office space. On June 13, 2011, the Port Authority and The Durst Organization entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of One World Trade Center. In June 2011, The Durst Organization contributed \$100 million for a minority equity interest in the joint venture related to One World Trade Center. One World Trade Center contains 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. As of December 31, 2015 the Port Authority has leased, (i) approximately 1.92 million square feet of office space at One World Trade Center, representing approximately 63% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100th through 102nd floors of One World Trade Center for an observation deck, which opened to the public in 2015.

**World Trade Center Tower 3**

Under agreements between the Port Authority and the Silverstein net lessee of Tower 3, the Silverstein net lessee of Tower 3 is required to construct the Tower 3 podium, with the construction of the office tower to follow. To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private real estate and capital markets triggers, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (the 2010 Tower 3 Tenant Support

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

Agreement) providing for the investment of Port Authority funds towards the construction of the tower and a backstop of \$390 million for certain construction and leasing overruns, senior debt service shortfalls and operating expense deficits. These triggers included the Silverstein Tower 3 net lessee raising \$300 million of private equity or mezzanine financing, pre-leasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office tower. Under separate agreements, The State of New York and the City of New York have each agreed to reimburse the Port Authority for \$200 million of the \$600 million to be provided under the 2010 Tower 3 Tenant Support Agreement for a total reimbursement of \$400 million. Under the 2010 Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 is responsible for the repayment of the \$390 million backstop on a subordinated basis, without interest, from Tower 3 revenues. All repayments of the Tower 3 backstop received by the Port Authority would in turn be distributed among the Port Authority, the State of New York and the City of New York in accordance with their respective shares of the \$390 million backstop payments.

In order to maintain the World Trade Center site's redevelopment progress and continue to balance private sector development with public sector support, on June 25, 2014, the Board of Commissioners of the Port Authority authorized certain amendments to the 2010 Tower 3 Tenant Support Agreement. Under the amended 2010 Tower 3 Tenant Support Agreement, the Port Authority would provide \$210 million for the construction of Tower 3 as a landlord capital improvement. The backstop funding of \$390 million would be provided for (i) construction overruns and certain leasing cost overruns, (ii) operating expense deficits and certain leasing cost overruns through the Tower 3 net lessee's right to defer payments of rent to the Port Authority under the net lease with respect to Tower 3, and (iii) senior debt service shortfalls, by the Port Authority as a special limited co-obligor on the senior debt issued for Tower 3, with such senior debt service shortfalls payable as a special obligation of the Port Authority, subject in each case to the overall limit of \$390 million for the backstop (See *Note E- General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

In December 2014, the Silverstein net lessee of Tower 3 net lessee issued Tower 3 Liberty bonds in the total aggregate principal amount of \$1.6 billion. In accordance with the amended Tower 3 Tenant Support Agreement, in December 2014, the Port Authority made a \$210 million landlord capital improvement payment towards the construction of Tower 3. Under a separate Public Support Agreement with the State of New York, the Port Authority applied \$80 million of previously received funds as a capital contribution for the partial reimbursement of this landlord capital improvement. Additionally, under a Public Support Agreement with the City of New York, the Port Authority will receive \$130 million in future WTC PILOT credits as reimbursement for the remaining share of the Port Authority's landlord capital improvements.

#### **World Trade Center Tower 4**

For the continued development and construction of Tower 4, with approximately 600,000 of its 2 million square feet of office space preleased to the Port Authority, and approximately 580,000 square feet preleased to the City of New York, in December 2010, the Port Authority entered into certain agreements with the Silverstein net lessee of Tower 4, providing for the Port Authority's participation in the financing for Tower 4 construction. Additionally, the Silverstein net lessee of Tower 4 has the right to, defer certain rent payments payable to the Port Authority under the Tower 4 net lease, defer certain free rent periods available to the Port Authority under its Tower 4 space lease, receive funding related to certain operating expense deficits upon completion of Tower 4 and receive a limited amount of funding related to construction and leasing cost overruns.

Tower 4 Liberty Bonds were issued on November 15, 2011, in the total aggregate principal amount of \$1.2 billion. The Port Authority is a co-borrower/obligor with respect to the Liberty Bonds issued by the New York Liberty Development Corporation in November 2011 to finance construction of WTC Tower

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

4. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is a special obligation of the Port Authority, evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the Tower 4 Liberty Bond trustee (See *Note E- General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority). Port Authority debt service payments related to Tower 4 Liberty Bonds, deferred rent payable to the Port Authority under the Tower 4 net lease, deferred rent relating to free rent periods available to the Port Authority under its Tower 4 space lease and funding provided to the Silverstein net lessee related to certain operating expense deficits, construction and leasing overruns is reimbursable to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment of not in excess of 40 years.

WTC Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4 and is available for tenant fit-out. In November 2014, Port Authority corporate staff began occupying certain portions of its leased space in Tower 4, with remaining space being occupied in 2015.

**The World Trade Center Transportation Hub**

On July 28, 2005, the Board of Commissioners of the Port Authority authorized the WTC Transportation Hub project. Construction of the WTC Transportation Hub commenced on September 6, 2005, at an estimated total project cost range of approximately \$3.74 billion to \$3.995 billion. It is presently expected that the Port Authority will receive up to \$2.872 billion from the FTA towards the construction of the WTC Transportation Hub. As of December 31, 2015, the Port Authority has received \$2.6 billion from the FTA related to the construction of the WTC Transportation Hub. The WTC Transportation Hub, excluding certain retail related space, is presently expected to be opened to the public in March 2016.

**World Trade Center Infrastructure Projects**

In addition to the WTC Transportation Hub, the Port Authority continues to construct various WTC site infrastructure projects toward full build out of the WTC site. In 2014, certain portions of these infrastructure projects, including portions of the vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities became operational to support commercial activities throughout the WTC site. Other infrastructure work includes street configurations, utilities, a central chiller plant and related electrical distribution systems that support operations of the WTC site.

**WTC Retail**

In December 2003, as part of the redevelopment of the WTC, the Port Authority acquired 100% of the membership interest in the net lessee of the retail components of the WTC from Westfield for \$140 million, and is the sole managing member of this bankruptcy remote single purpose entity, which was renamed "WTC Retail LLC." The retail project at the WTC site includes certain retail space to be located in the WTC Transportation Hub, One World Trade Center, Tower 2, Tower 3, and Tower 4 (collectively the "Retail Premises").

On May 16, 2012, the Port Authority and Westfield entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of certain retail space at the World Trade Center site. On March 18, 2014, the Port Authority transferred its remaining interest in the joint venture to Westfield. As a result of the establishment of, and transfer of its interests in, the joint venture to Westfield, the Port Authority presently expects, subject to the completion of construction of the premises covered by the retail net lease, to receive payments totaling up to \$1.4 billion from Westfield. In the event that retail space is built at Tower 2, Westfield would have the option to pay an additional amount to be determined at such time to

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

add such space to its net leased retail premises. The Port Authority continues to be the landlord of the retail components of the World Trade Center site under a net lease which provides for nominal annual rentals. The Port Authority also continues to be responsible for the construction of the retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for its construction.

As of December 31, 2015, excluding Westfield's initial joint venture membership capital contribution of \$100 million recognized in 2011, the Port Authority has received \$719 million for the transfer of its interests in the WTC retail joint venture to Westfield. The \$719 million is reported as Unearned income and recognized as rental income over the remaining term of the existing WTC Retail net lease. As of December 31, 2015, \$14.4 million has been cumulatively recognized as rental income.

**WTC Memorial and Museum**

The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial/Museum or the Visitor Orientation and Education Center (VOEC). The Memorial Plaza was substantially completed and opened for public access on September 11, 2011. The museum and VOEC opened to the public on May 21, 2014.

**Note M – Risk Financing Activities**

The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, purchase of insurance through its captive insurance entity, PAICE, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. Availability of coverage varies and may be constrained depending on the state of the insurance industry. As a result, insurance premiums may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

**1. Purchased Insurance**

**Property damage and loss of revenue insurance program**

The property damage and loss of revenue insurance program on Port Authority facilities (which was renewed effective June 1, 2015 and expires on June 1, 2016) applies to all Port Authority facilities, excluding the World Trade Center\*, with program limits of \$1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards. Coverage under the property damage and loss of revenue insurance program on the operating portions of the World Trade Center and related infrastructure (which was renewed March 31, 2015 and expires on March 31, 2016) applies to those assets with program limits of \$2.5 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards.

The Port Authority also purchased terrorism insurance with respect to its facilities, excluding the World Trade Center, with limits of \$1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions and exclusions for certain hazards, and for the operating portions of the World Trade Center, with limits of \$3 billion per occurrence (effective December 31, 2015, WTC assets under construction were added to this program and limits were increased to \$4 billion per occurrence) and in the aggregate, subject to certain deductibles, retentions, and exclusions for certain hazards. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA)\*\* and commercial reinsurance.

\*See “\*” footnote on page III-90.

\*\*See “\*\*” footnote on page III-90.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

**Public liability insurance program**

The public liability insurance program for Port Authority aviation facilities (which was renewed effective October 27, 2015 and expires October 27, 2016) applies to such facilities with program limits of \$1.25 billion per occurrence and in the aggregate, subject to certain deductibles and retentions, and insurance for aviation war risk, which includes terrorism, and which has no deductible.

The public liability insurance program for “non-aviation” facilities (which was renewed effective October 27, 2015 and expires October 27, 2016) applies to such facilities including certain components of WTC\* upon completion of construction and transfer to operations, with program limits of \$1.0 billion per occurrence and in the aggregate, subject to certain deductibles and retentions. Terrorism insurance with respect thereto totals \$300 million, which is insured through PAICE and reinsured through TRIPRA\*\* and commercial insurers.

During each of the past three years, payments for public liability claims have not exceeded insurance coverage.

**2. Construction Insurance Programs**

The Port Authority's World Trade Center Owner Controlled Insurance Program applies to such facility with program limits for builders' risk of \$1 billion per occurrence, subject to certain deductibles, retentions, and sub-limits of certain hazards, annual aggregate limits, and with program limits of \$1 billion per occurrence for terrorism insurance, both of which are insured through PAICE and reinsured through TRIPRA\*\*, and commercial reinsurance (effective December 31, 2015, the terrorism insurance coverage expired and the assets were added to the WTC operational terrorism program with limits of \$4 billion per occurrence) and construction liability coverage which applies to the portions of the World Trade Center under construction with program limits of \$500 million per occurrence (effective December 31, 2015, these limits were reduced to \$150 million per occurrence).

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all other Port Authority facilities under construction with program limits for builders' risk of \$50 million per occurrence, subject to certain deductibles, retentions, and sub-limits on certain hazards, construction general liability insurance with program limits of \$50 million per occurrence, and statutory workers' compensation coverage, which do not have a deductible. PAICE provides portions of the construction general liability and statutory workers' compensation insurance. The Port Authority also maintains builders' risk and terrorism coverage, with respect to the Bayonne Bridge Navigational Clearance Program, each with a program limit of \$743 million per occurrence and comprehensive general liability insurance with program limits of \$50 million per occurrence and in the aggregate in excess of the \$50 million coverage described above.

**3. Port Authority Insurance Captive Entity, LLC**

On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity, LLC, for the purpose of insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with Workers' Compensation, general liability, builders risk, property and terrorism insurance coverage for the Port Authority and its related entities. With the passage of TRIPRA\*\*, PAICE assumed coverage for acts of domestic terrorism with respect to the Port Authority's public liability and property

\*See “\*” footnote on page III-90.

\*\*See “\*\*” footnote on page III-90.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism. In addition, as of December 31, 2015, PAICE continues to provide the first \$1,000,000 in coverage under the Workers' Compensation portion, and the first \$500,000 in coverage under the general liability aspect of the Port Authority's Contractor's Insurance Program. As of December 31, 2015, PAICE continues to provide \$1 billion of Builders Risk and Terrorism coverage for the WTC Owner Controlled Insurance Program, which is 100% reinsured through the commercial insurance marketplace and TRIPRA\*\*.

Any changes in the lines of insurance being provided by PAICE or its capitalization are subject to prior approval by the Port Authority Board of Commissioners' Committee on Finance. PAICE also provides periodic reports with respect to its general operations to the Port Authority's Board of Commissioners.

The financial results for PAICE for the year ended December 31, 2015 are set forth below. Restricted amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to eliminate intercompany transfers related to captive insurance premiums paid to PAICE from the Port Authority.

<b>Financial Position</b>	<b>Amounts</b> (In thousands)
Total Assets	\$341,403
Total Liabilities	151,465
Net Position	<u>\$189,938</u>
 <b>Operating Results</b>	
Revenues	\$ 36,632
Expenses	<u>7,967</u>
Change in Net Position	<u>\$ 28,665</u>
 <b>Changes in Net Position</b>	
Net Position at January 1, 2015	\$161,273
Change in Net Position	<u>28,665</u>
Net Position at December 31, 2015	<u>\$189,938</u>

\* The Port Authority's insurance programs do not provide coverage for World Trade Center Towers 2, 3, 4 (except for the Port Authority's Tower 4 leased space), Tower 5, the WTC Memorial/Museum and the net leased retail components (except for certain retail infrastructure) of the World Trade Center site.

\*\* Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses in 2015 (and decreases its reinsurance incrementally by 1% per year for the next five (5) years), subject to aggregate industry insured losses of at least \$100 million in 2015 (which increases incrementally \$20 million per year for the next five years) and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of \$100 billion. No Federal payments are made under this program until the aggregate industry insured losses from acts of terrorism exceed \$100 million. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 140% of the amount of federal payments for insured losses during that calendar year.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Notes to Consolidated Financial Statements**  
(continued)

---

The audited financial statements for the years ended December 31, 2015 and December 31, 2014 of the PAICE, which provides additional information concerning PAICE assets and liabilities, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

**4. Self Insurance**

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for self-insured claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses, estimated recoveries and a provision for incurred but not reported (IBNR) claims. Changes in the self insured public liability loss reserves and self insured worker's compensation loss reserves are as follows:

Self insured public liability loss reserves:

Year	Beginning Balance	Additions and Changes	Payments	Year-End Balance
		(In thousands)		
2015	\$ 77,296	\$ 3,117	\$ 21,513	\$ 58,900
2014	62,570	30,327	15,601	77,296

Self insured worker's compensation loss reserves:

Year	Beginning Balance	Additions and Changes	Payments	Year-End Balance
		(In thousands)		
2015	\$ 63,915	\$ 17,383	\$ 19,876	\$ 61,422
2014	48,074	36,770	20,929	63,915



**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Required Supplementary Information (Unaudited)**

---

**NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM**

**Schedule of Proportionate Share of Net Pension Liability\*:**

	<b>2015</b>
	(\$ In thousands)
Port Authority's proportion of the net pension liability	1.3%
Port Authority's proportionate share of the net pension liability	\$ 44,906
Covered-employee payroll (4/1/2014-3/31/2015)	\$390,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	11.5%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

**Schedule of Employer Contributions\*:**

	<b>2015</b>
	(\$ In thousands)
Contractually required contribution	\$ 63,072
Contributions in relation to the contractually required contribution	\$ 63,072
Contribution deficiency (excess)	\$ -
Port Authority's covered-employee payroll (1/1/2015-12/31/2015)	\$409,234
Contributions as a percentage of covered-employee payroll	15.4%

**NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM**

**Schedule of Proportionate Share of Net Pension Liability\*:**

	<b>2015</b>
	(\$ In thousands)
Port Authority's proportion of the net pension liability	8.9%
Port Authority's proportionate share of the net pension liability	\$ 24,490
Covered-employee payroll (4/1/2014-3/31/2015)	\$248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	9.8%
Plan fiduciary net position as a percentage of the total pension liability	99.0%

**Schedule of Employer Contributions\*:**

	<b>2015</b>
	(\$ In thousands)
Contractually required contribution	\$ 53,652
Contributions in relation to the contractually required contribution	\$ 53,652
Contribution deficiency (excess)	-
Port Authority's covered-employee payroll (1/1/2015-12/31/2015)	\$253,597
Contributions as a percentage of covered-employee payroll	21.2%

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Required Supplementary Information (Unaudited)**

**FEDERAL RAILROAD RETIREMENT PROGRAM**

**Schedule of Employee and Employer Railroad Contributions\***

<b>Railroad Retirement Tier I</b>	<b>Employee Tax Rate</b>	<b>Employee Taxes</b>	<b>Employer Tax Rate</b>	<b>Employer Taxes</b>	<b>Total Taxes</b>
(\$ In thousands)					
2015	7.65%	\$ 7,747	7.65%	\$ 7,747	\$ 15,494
2014	7.65%	8,119	7.65%	8,119	16,238
2013	7.65%	7,551	7.65%	7,551	15,102
<b>Total Taxes</b>		<b>\$23,417</b>		<b>\$ 23,417</b>	<b>\$46,834</b>

<b>Railroad Retirement Tier II</b>	<b>Employee Tax Rate</b>	<b>Employee Taxes</b>	<b>Employer Tax Rate</b>	<b>Employer Taxes</b>	<b>Total Taxes</b>
(\$ In thousands)					
2015	4.9%	\$ 4,379	13.1%	\$ 11,707	\$ 16,086
2014	4.4%	3,971	12.6%	11,371	15,342
2013	4.4%	3,714	12.6%	10,636	14,350
<b>Total Taxes</b>		<b>\$12,064</b>		<b>\$ 33,714</b>	<b>\$45,778</b>

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Required Supplementary Information (Unaudited)**

---

**PATH EXEMPT EMPLOYEES SUPPLEMENTAL PENSION PLAN**

**Schedule of Changes to Total Pension Liability and Related Ratios\***

	<b>2015</b>
	(\$ In thousands)
<b>Total Pension Liability</b>	
Service cost	\$ 900
Interest cost	3,271
Differences between expected and actual experience	51
Changes of assumptions	10,632
Benefit payments, including refunds of member contributions	(3,389)
Net change in total pension liability	11,465
Total Pension Liability (Beginning)	69,630
<b>Total Pension Liability (Ending)</b>	<b>\$81,095</b>
Covered-Employee Payroll (1/1/2014-12/31/2014)	\$12,356
Total Pension Liability as a % of Payroll	656.3%

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Note: As of December 31, 2015, there are no plan assets accumulated in a trust for purposes of making future pension payments.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Required Supplementary Information (Unaudited)**

---

**OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) PLANS**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>OPEB Trust Assets* (a)</b>	<b>AAL (b)</b>	<b>Unfunded AAL (c) = (b-a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (d)</b>	<b>Unfunded AAL as a % of Payroll (c) / (d)</b>
			(\$ In millions)			
1/1/15	\$859	\$2,642	\$1,783	33%	\$739	241%
1/1/14	708	2,394	1,686	30%	753	224%
1/1/13	525	2,224	1,699	24%	724	235%

\*As of December 31, 2015 OPEB trust net position totaled \$955.6 million.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Schedule A - Revenues and Reserves**

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2015			2014
	Operating Fund	Reserve Funds	Combined Total	Combined Total
	(In thousands)			
<b>Gross operating revenues:</b>				
Tolls and fares	\$ 1,718,770	\$ -	\$ 1,718,770	\$ 1,553,625
Rentals	1,439,229	-	1,439,229	1,294,199
Aviation fees	1,063,902	-	1,063,902	1,058,416
Parking and other	359,631	-	359,631	321,760
Utilities	144,580	-	144,580	149,052
Rentals - Special Project Bonds Projects	92,719	-	92,719	98,141
<b>Total gross operating revenues</b>	<b>4,818,831</b>	<b>-</b>	<b>4,818,831</b>	<b>4,475,193</b>
<b>Operating expenses:</b>				
Employee compensation, including benefits	1,178,967	-	1,178,967	1,187,877
Contract services	833,903	-	833,903	797,516
Rents and payments in-lieu-of taxes (PILOT)	356,162	-	356,162	362,627
Materials, equipment and other	252,071	-	252,071	277,174
Utilities	186,830	-	186,830	199,919
Interest on Special Project Bonds	92,719	-	92,719	98,141
<b>Total operating expenses</b>	<b>2,900,652</b>	<b>-</b>	<b>2,900,652</b>	<b>2,923,254</b>
Operating and maintenance contingencies	50,000	-	50,000	-
Amounts in connection with operating asset obligations	21,387	-	21,387	23,734
Net (revenue)/expense related to Superstorm Sandy	(123)	-	(123)	(53,530)
<b>Net operating revenues</b>	<b>1,846,915</b>	<b>-</b>	<b>1,846,915</b>	<b>1,581,735</b>
<b>Financial income:</b>				
Interest income	(13,333)	31,703	18,370	17,637
Net (decrease)/increase in fair value of investments	(3,529)	(10,761)	(14,290)	(2,950)
Contributions in aid of construction	272,335	-	272,335	465,152
Application of WTC Retail Joint Venture Payments	66,963	-	66,963	652,104
Application of Passenger Facility Charges	273,721	-	273,721	221,156
Application of 4 WTC associated payments	36,766	-	36,766	6,128
Grants, in connection with operating activities	101,074	-	101,074	207,898
Pass-through grant program payments	(51,429)	-	(51,429)	(107,606)
<b>Net revenues available for debt service and reserves</b>	<b>2,529,483</b>	<b>20,942</b>	<b>2,550,425</b>	<b>3,041,254</b>
<b>Debt service:</b>				
Interest on bonds and other asset financing obligations	810,356	66,461	876,817	646,804
Debt maturities and retirements	259,315	-	259,315	226,205
Repayment of asset financing obligations	-	51,928	51,928	105,562
<b>Total debt service</b>	<b>1,069,671</b>	<b>118,389</b>	<b>1,188,060</b>	<b>978,571</b>
Transfers to reserves	\$ (1,459,812)	1,459,812	-	-
Revenues after debt service and transfers to reserves		1,362,365	1,362,365	2,062,683
Direct investment in facilities		(1,949,785)	(1,949,785)	(1,473,432)
Change in appropriations for self-insurance		-	-	28,100
(Decrease) / Increase in reserves		(587,420)	(587,420)	617,351
Reserve balances, January 1		4,427,267	4,427,267	3,809,916
<b>Reserve balances, December 31</b>		<b>\$ 3,839,847</b>	<b>\$ 3,839,847</b>	<b>\$ 4,427,267</b>

See Notes to Consolidated Financial Statements

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Schedule B - Assets and Liabilities**

(pursuant to Port Authority bond resolutions)

	December 31, 2015				2014
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
	(In thousands)				
<b>ASSETS</b>					
Current assets:					
Cash	\$ 147,529	\$ 601,431	\$ 422,821	\$ 1,171,781	\$ 1,624,605
Restricted cash:					
Passenger Facility Charges	130,751	-	-	130,751	194,059
Port Authority Insurance Captive Entity, LLC	40,535	-	-	40,535	19,740
Investments	-	1,071,275	695,714	1,766,989	353,491
Interfund balances	(269,131)	310,150	(41,019)	-	-
Current receivables, net	467,447	1,260	-	468,707	482,297
Other current assets	79,363	47,830	-	127,193	141,131
Restricted receivables and other assets	73,106	-	-	73,106	30,657
<b>Total current assets</b>	<b>669,600</b>	<b>2,031,946</b>	<b>1,077,516</b>	<b>3,779,062</b>	<b>2,845,980</b>
Noncurrent assets:					
Restricted cash	4,631	-	-	4,631	7,087
Investments	80,142	409,956	2,762,331	3,252,429	3,180,386
Restricted investments - PAICE	184,633	-	-	184,633	182,585
Other amounts receivable, net	36,040	16,434	-	52,474	56,640
Other noncurrent assets	1,446,650	1,802	-	1,448,452	1,439,278
Restricted other noncurrent assets - PAICE	4,649	-	-	4,649	8,109
Amounts receivable - Special Project Bonds Projects	-	1,451,170	-	1,451,170	1,530,510
Amounts receivable - Tower 4 Liberty Bonds	-	1,225,520	-	1,225,520	1,225,520
Invested in facilities	-	50,629,546	-	50,629,546	47,609,312
<b>Total noncurrent assets</b>	<b>1,756,745</b>	<b>53,734,428</b>	<b>2,762,331</b>	<b>58,253,504</b>	<b>55,239,427</b>
<b>Total assets</b>	<b>2,426,345</b>	<b>55,766,374</b>	<b>3,839,847</b>	<b>62,032,566</b>	<b>58,085,407</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	155,259	-	-	155,259	-
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	272,340	798,707	-	1,071,047	1,289,162
Accrued interest and other current liabilities	576,471	16,229	-	592,700	448,060
Restricted other liabilities - PAICE	9,446	-	-	9,446	7,580
Accrued payroll and other employee benefits	436,576	-	-	436,576	404,998
Unapplied Passenger Facility Charges	168,801	-	-	168,801	193,678
Current portion bonds and other asset financing obligations	33,777	1,452,795	-	1,486,572	886,835
<b>Total current liabilities</b>	<b>1,497,411</b>	<b>2,267,731</b>	<b>-</b>	<b>3,765,142</b>	<b>3,230,313</b>
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	229,892	-	-	229,892	190,286
Other noncurrent liabilities	224,298	64,585	-	288,883	310,954
Restricted other noncurrent liabilities - PAICE	50,383	-	-	50,383	50,121
Amounts payable - Special Project Bonds	-	1,451,170	-	1,451,170	1,530,510
Amounts payable - Tower 4 Liberty Bonds	-	1,225,520	-	1,225,520	1,225,520
Bonds and other asset financing obligations	596,835	20,169,093	-	20,765,928	19,441,902
<b>Total noncurrent liabilities</b>	<b>1,101,408</b>	<b>22,910,368</b>	<b>-</b>	<b>24,011,776</b>	<b>22,749,293</b>
<b>Total liabilities</b>	<b>2,598,819</b>	<b>25,178,099</b>	<b>-</b>	<b>27,776,918</b>	<b>25,979,606</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	7,555	-	-	7,555	-
<b>NET POSITION</b>	<b>\$ (24,770)</b>	<b>\$ 30,588,275</b>	<b>\$ 3,839,847</b>	<b>\$ 34,403,352</b>	<b>\$ 32,105,801</b>
<b>Net position is comprised of:</b>					
Facility infrastructure investment	\$ -	\$ 30,588,275	\$ -	\$ 30,588,275	\$ 27,678,534
Cumulative effect of change in accounting principles	(24,770)	-	-	(24,770)	-
Reserves	-	-	3,839,847	3,839,847	4,427,267
<b>NET POSITION</b>	<b>\$ (24,770)</b>	<b>\$ 30,588,275</b>	<b>\$ 3,839,847</b>	<b>\$ 34,403,352</b>	<b>\$ 32,105,801</b>

See Notes to Consolidated Financial Statements

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Schedule C - Analysis of Reserve Funds**

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2015			2014
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
	(In thousands)			
Balance, January 1	\$ 2,131,711	\$ 2,295,556	\$ 4,427,267	\$ 3,809,916
Increase in reserve funds *	165,764	1,314,990	1,480,754	2,179,787
	2,297,475	3,610,546	5,908,021	5,989,703
<b>Applications:</b>				
Repayment of asset financing obligations	-	51,928	51,928	105,562
Interest on asset financing obligations	-	66,461	66,461	11,542
Direct investment in facilities	-	1,949,785	1,949,785	1,473,432
Self-insurance	-	-	-	(28,100)
Total applications	-	2,068,174	2,068,174	1,562,436
<b>Balance, December 31</b>	<b>\$ 2,297,475</b>	<b>\$ 1,542,372</b>	<b>\$ 3,839,847</b>	<b>\$ 4,427,267</b>

\*Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling \$1.46 billion, plus financial income generated on reserve funds of \$20.9 million in 2015.

See Notes to Consolidated Financial Statements

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

---

**Statistical and Other Supplemental Information Section**

---

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2015

The Statistical and Other Supplemental Information section presents additional information as context for further understanding the information in the financial statements, note disclosures and schedules.

**Selected Statistical Financial Trends Data – Schedule D-1 (Pursuant to GAAP)**

Trend information is provided to help the reader understand how the Port Authority's financial performance and fiscal health has changed over time.

**Selected Statistical Debt Capacity – Schedule D-2 (Pursuant to Port Authority Bond Resolutions)**

The Port Authority has several forms of outstanding obligations.

Information on Port Authority revenues, outstanding obligations, debt service, and reserves is included here for statistical purposes (more detailed information about the various kinds of debt instruments used by the Port Authority can be found in *Note D - Outstanding Obligations and Financing*, and reserve funds are described in *Note E - General and Consolidated Bond Reserve Funds* to the consolidated financial statements). Debt limitations, including in some cases, limits on total authorized amounts or requirements for the issuance of additional bonds, may be found in the various resolutions establishing and authorizing such obligations.

**Selected Statistical Financial Data by Business Segment – Schedule D-3**

Schedule provides information on gross operating revenues, operating expenses and capital investment, summarized by Port Authority business segments.

**Information on Port Authority Operations – Schedule E**

Detailed information on Port Authority's operating results including income from operations, non-operating expenses and contributions, and net income is provided on a Port Authority operating facility level.

**Information on Capital Investment in Port Authority Facilities – Schedule F**

Schedule provides information on capital investment, summarized by Port Authority operating facilities, including current year capital investment and depreciation.

**Port Authority Facility Traffic – Schedule G (Unaudited)**

This schedule provides comparative information on Port Authority facility traffic relative to vehicles, passengers, containers, cargo, waterborne vehicles and plane movements.



**Schedule D-1 - Selected Statistical Financial Trends Data** (pursuant to GAAP)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(In thousands)									
<b>Revenues, Expenses and Changes in Net Position:</b>										
<b>Gross operating revenues:</b>										
Tolls and fares	\$ 1,718,770	\$ 1,553,625	\$ 1,462,957	\$ 1,337,372	\$ 1,148,061	\$ 1,069,785	\$ 1,068,105	\$ 1,054,801	\$ 800,244	\$ 798,682
Rentals <sup>(a)</sup>	1,446,980	1,300,818	1,228,491	1,208,730	1,150,569	1,144,709	1,115,652	1,079,634	986,663	952,431
Aviation fees	1,063,902	1,058,416	934,459	904,666	895,356	872,774	839,327	816,628	781,355	716,700
Parking and other	359,631	321,760	315,111	338,178	339,131	321,257	316,005	328,220	387,966	335,019
Utilities	144,580	149,052	139,835	152,945	154,810	154,041	140,817	169,576	149,537	146,822
Rentals - Special Project Bonds Projects	92,719	98,141	103,186	108,125	112,553	71,457	72,337	78,693	85,861	88,884
<b>Gross operating revenues</b>	<b>4,826,582</b>	<b>4,481,812</b>	<b>4,184,039</b>	<b>4,050,016</b>	<b>3,800,480</b>	<b>3,634,023</b>	<b>3,552,243</b>	<b>3,527,552</b>	<b>3,191,626</b>	<b>3,038,538</b>
<b>Operating expenses:</b>										
Employee compensation, including benefits	1,178,967	1,187,877	1,114,397	1,038,243	1,037,681	1,022,195	974,154	941,289	922,671	840,640
Contract services	833,903	797,516	684,411	749,106	726,883	630,438	683,418	670,489	587,730	590,197
Rents and amounts in-lieu-of taxes (PILOT)	356,162	362,627	301,582	304,020	280,237	272,002	276,830	274,916	271,073	254,178
Materials, equipment and other	252,071	277,174	220,859	215,937	219,183	418,639	263,682	314,722	212,147	187,996
Utilities	186,830	199,919	171,833	174,016	188,432	183,826	168,249	183,583	167,912	150,729
Interest on Special Project Bonds	92,719	98,141	103,186	108,125	112,553	71,457	72,337	78,693	85,861	88,884
<b>Operating expenses</b>	<b>2,900,652</b>	<b>2,923,254</b>	<b>2,596,268</b>	<b>2,589,447</b>	<b>2,564,969</b>	<b>2,598,557</b>	<b>2,438,670</b>	<b>2,463,692</b>	<b>2,247,394</b>	<b>2,112,624</b>
Net revenue/(expense) related to the events of September 11, 2001	-	-	-	-	-	53,051	202,978	457,918	(4,563)	(2,069)
Net revenue/(expense) related to the events of Superstorm Sandy	123	53,530	28,229	(30,000)	-	-	-	-	-	-
Depreciation of facilities	(1,124,383)	(932,149)	(875,979)	(884,239)	(852,727)	(789,011)	(712,331)	(644,620)	(632,553)	(674,940)
Amortization of costs for regional programs	(64,665)	(64,484)	(64,275)	(77,719)	(77,537)	(76,504)	(74,617)	(70,840)	(59,316)	(49,319)
<b>Income from operations</b>	<b>737,005</b>	<b>615,455</b>	<b>675,746</b>	<b>468,611</b>	<b>305,247</b>	<b>223,002</b>	<b>529,603</b>	<b>806,318</b>	<b>247,800</b>	<b>199,586</b>
Income on investments (including fair value adjustment)	30,978	38,100	8,608	39,661	(46,898)	4,435	146,561	(4,976)	229,812	137,968
Interest expense on bonds and other asset financing	(909,603)	(666,244)	(623,353)	(658,313)	(559,110)	(501,607)	(501,892)	(488,463)	(493,689)	(454,134)
Net gain/(loss) on disposition of assets	-	19,043	4,423	(4)	-	-	27,125	7	17,011	(3,741)
Pass-through grant program payments	(51,429)	(107,606)	(176,848)	(56,446)	(11,507)	(2,166)	(1,120)	(3,130)	(4,717)	(6,832)
4 WTC associated payments	36,766	6,128	36,660	65,293	8,343	-	-	-	-	-
Grants in connection with operating activities	101,074	207,898	188,409	52,161	23,727	11,708	10,613	9,811	11,310	17,469
Contributions in aid of construction	586,295	700,267	689,898	997,441	767,010	358,268	382,978	313,078	313,504	250,904
Passenger facility charges	248,707	233,172	224,301	222,614	214,456	210,387	201,737	211,667	221,380	192,509
1 WTC LLC/WTC Retail LLC insurance proceeds	-	-	-	3,525	-	42,814	50,813	49,771	760,467	184,901
<b>Increase in net position December 31,</b>	<b>\$ 779,793</b>	<b>\$ 1,046,213</b>	<b>\$ 1,027,844</b>	<b>\$ 1,134,543</b>	<b>\$ 701,268</b>	<b>\$ 346,841</b>	<b>\$ 846,418</b>	<b>\$ 894,083</b>	<b>\$ 1,302,878</b>	<b>\$ 518,630</b>
<b>Net position is comprised of</b>										
Net investment in capital assets	\$ 11,810,573	\$ 10,402,894	\$ 9,442,138	\$ 9,273,213	\$ 10,020,306	\$ 9,200,077	\$ 8,415,993	\$ 7,526,446	\$ 6,609,691	\$ 5,872,518
Restricted	456,429	470,857	454,467	392,389	294,460	222,871	211,725	409,800	719,306	208,771
Unrestricted	3,262,561	3,900,789	3,831,722	3,034,881	1,411,125	1,601,675	2,050,064	1,895,118	1,608,284	1,553,114
<b>Net Position, December 31,</b>	<b>15,529,563</b>	<b>14,774,540</b>	<b>13,728,327</b>	<b>12,700,483</b>	<b>11,725,891</b>	<b>11,024,623</b>	<b>10,677,782</b>	<b>9,831,364</b>	<b>\$ 8,937,281</b>	<b>\$ 7,634,403</b>

<sup>(a)</sup> Commencing in 2014, Rentals include the recognition of unearned income related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture.

Schedule D-2 - Selected Statistical Debt Capacity Data (pursuant to Port Authority Bond Resolutions)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(In thousands)									
Gross Operating Revenues*	\$ 4,818,831	\$ 4,475,193	\$ 4,184,039	\$ 4,050,016	\$ 3,800,480	\$ 3,634,023	\$ 3,552,243	\$ 3,527,552	\$ 3,191,626	\$ 3,038,538
Operating expenses	(2,900,652)	(2,923,254)	(2,596,268)	(2,589,447)	(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)	(2,247,394)	(2,112,624)
Net revenue/(expense) related to the events of September 11, 2001	-	-	-	-	-	53,051	202,978	457,918	(4,563)	(2,069)
Operating and maintenance contingencies	(50,000)	-	-	-	-	-	-	-	-	-
Net revenue/(expense) related to Superstorm Sandy	123	53,530	28,229	(30,000)	-	-	-	-	-	-
Amounts in connection with operating asset obligations	(21,387)	(23,734)	(25,908)	(27,956)	(29,580)	(46,561)	(55,058)	(41,301)	(40,787)	(42,391)
Net operating revenues	1,846,915	1,581,735	1,590,092	1,402,613	1,205,931	1,041,956	1,261,493	1,480,477	898,882	881,454
Financial income	4,080	14,687	(2,964)	29,121	(53,270)	(900)	141,136	(19,537)	208,274	134,806
Grants and contributions in aid of construction, net	321,980	565,444	540,746	565,976	499,516	367,810	392,471	319,759	320,097	261,541
Application of WTC Retail Joint Venture Payments*	66,963	652,104	-	-	-	-	-	-	-	-
Application of Passenger Facility Charges	273,721	221,156	175,421	110,015	215,645	207,122	205,164	215,407	220,583	186,555
Application of 4 WTC associated payments	36,766	6,128	36,660	65,293	8,343	-	-	-	-	-
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	-	-	-	17,962	57,340	61,468	266,676	411,278	305,532	-
Restricted Net Revenues - PAICE	-	-	4,305	2,710	644	(102)	3,177	(4,311)	(1,354)	-
Net revenues available for debt service and reserves (a)	2,550,425	3,041,254	2,344,260	2,193,690	1,934,149	1,677,354	2,270,117	2,403,073	1,952,014	1,464,356
<b>DEBT SERVICE - OPERATIONS</b>										
Interest on bonds and other asset financing obligations (b)	(810,356)	(635,262)	(556,824)	(539,436)	(480,623)	(436,622)	(427,384)	(409,175)	(417,209)	(379,361)
Times, interest earned (a/b)	3.15	4.79	4.21	4.07	4.02	3.84	5.31	5.87	4.68	3.86
Debt maturities and retirements (c)	(259,315)	(226,205)	(204,000)	(169,770)	(140,390)	(178,095)	(147,370)	(152,275)	(177,160)	(254,210)
Times, debt service earned [a/(b+c)]	2.38	3.53	3.08	3.09	3.11	2.73	3.95	4.28	3.28	2.31
<b>APPLICATION OF RESERVES</b>										
Direct investment in facilities	(1,949,785)	(1,473,432)	(1,059,756)	(691,079)	(742,001)	(1,375,008)	(1,522,096)	(1,514,369)	(808,694)	(490,750)
Debt retirement acceleration	-	-	-	(54,635)	(6,100)	-	-	-	-	-
Change in appropriations for self-insurance	-	28,100	10,414	37,547	1,949	(3,971)	6,463	2,123	(3,220)	(4,968)
Interest on bonds and other asset financing obligations	(66,461)	(11,542)	(38,689)	(87,764)	(37,702)	(7,580)	(8,938)	(28,797)	(36,077)	(26,587)
Repayment of asset financing obligations	(51,928)	(105,562)	(15,701)	(16,514)	(20,258)	(30,062)	(13,525)	(80,775)	(110,424)	(109,934)
Acceleration of unamortized brokerage commissions	-	-	(46,863)	-	-	-	-	-	-	-
Net increase/(decrease) in reserves	(587,420)	617,351	432,841	672,039	509,024	(353,984)	157,267	219,805	399,230	198,546
<b>RESERVE BALANCES</b>										
January 1	4,427,267	3,809,916	3,377,075	2,705,036	2,196,012	2,549,996	2,392,729	2,172,924	1,773,694	1,575,148
December 31	3,839,847	4,427,267	3,809,916	3,377,075	2,705,036	2,196,012	2,549,996	2,392,729	2,172,924	1,773,694
Reserve funds balances represented by:										
General Reserve	2,297,475	2,131,711	2,029,051	2,026,605	1,783,370	1,584,955	1,412,221	1,270,215	1,238,915	1,198,499
Consolidated Bond Reserve	1,542,372	2,295,556	1,780,865	1,350,470	921,666	611,057	1,137,775	1,122,514	934,009	575,195
Total	\$ 3,839,847	\$ 4,427,267	\$ 3,809,916	\$ 3,377,075	\$ 2,705,036	\$ 2,196,012	\$ 2,549,996	\$ 2,392,729	\$ 2,172,924	\$ 1,773,694
<b>OBLIGATIONS AT DECEMBER 31 (at par value)</b>										
Consolidated Bonds and Notes	\$ 21,019,925	\$ 19,229,020	\$ 18,212,063	\$ 18,076,497	\$ 15,550,039	\$ 13,340,378	\$ 12,284,449	\$ 10,794,831	\$ 9,495,419	\$ 9,659,104
Fund for regional development buy-out obligation	253,732	283,562	311,077	336,453	359,859	373,707	386,480	398,262	409,128	419,155
MOTBY obligation	44,383	48,254	52,329	78,060	105,141	138,396	-	-	-	-
Amounts payable - Special Project Bonds	1,451,170	1,530,510	1,605,515	1,675,825	1,741,440	1,803,145	1,064,380	1,118,105	1,264,735	1,311,100
Variable rate master notes	77,900	77,900	77,900	77,900	77,900	77,900	90,990	90,990	90,990	130,990
Commercial paper obligations	425,760	448,185	348,110	384,625	396,155	354,280	321,010	186,040	238,950	270,740
Versatile structure obligations	-	-	-	-	-	175,200	250,900	399,700	1,205,600	519,600
Port Authority equipment notes	-	31,500	46,925	49,565	68,160	98,645	110,485	112,485	93,460	93,460
Tower 4 Liberty Bonds	1,225,520	1,225,520	1,225,520	1,225,520	1,225,520	-	-	-	-	-
Goethals Bridge Replacement Capital Asset Obligation	430,800	210,316	-	-	-	-	-	-	-	-
Total obligations	\$ 24,929,190	\$ 23,084,767	\$ 21,879,439	\$ 21,904,445	\$ 19,524,214	\$ 16,361,651	\$ 14,508,694	\$ 13,100,413	\$ 12,798,282	\$ 12,404,149

\* Commencing in 2014, Gross operating revenues exclude the recognition of unearned income related to the transfer of the Port Authority interests in the WTC Retail Joint Venture. Amounts related to this transfer are recognized in their entirety in the year in which they are received.

Note: This selected financial data is prepared primarily from information contained in Schedules A, B and C and is presented for general information only and is not intended to reflect the specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

**Schedule D-3 Selected Statistical Financial Data by Business Segment (pursuant to GAAP)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(In thousands)									
<b>Gross Operating Revenues:</b>										
Tunnels, Bridges and Terminals	\$ 1,599,575	\$ 1,447,896	\$ 1,369,559	\$ 1,258,125	\$ 1,078,977	\$ 1,009,891	\$ 1,009,313	\$ 991,364	\$ 750,634	\$ 750,195
PATH	184,560	168,668	150,604	134,382	121,102	109,704	106,063	111,119	99,400	92,449
Port Commerce	270,263	248,443	262,526	249,609	236,461	223,095	205,861	201,269	236,002	170,617
Aviation	2,537,233	2,479,106	2,321,300	2,276,018	2,221,157	2,124,955	2,043,091	2,025,881	1,917,998	1,777,054
Development	26,561	51,077	29,492	87,521	100,800	89,457	98,603	108,594	103,603	99,414
World Trade Center	207,634	85,942	50,087	44,107	41,816	76,704	89,189	89,152	83,738	148,138
Other <sup>(a)</sup>	756	680	471	254	167	217	123	173	251	671
<b>Total</b>	<b>\$ 4,826,582</b>	<b>\$ 4,481,812</b>	<b>\$ 4,184,039</b>	<b>\$ 4,050,016</b>	<b>\$ 3,800,480</b>	<b>\$ 3,634,023</b>	<b>\$ 3,552,243</b>	<b>\$ 3,527,552</b>	<b>\$ 3,191,626</b>	<b>\$ 3,038,538</b>
<b>Operating Expenses: <sup>(b)</sup></b>										
Tunnels, Bridges and Terminals	\$ 499,873	\$ 510,383	\$ 493,429	\$ 468,263	\$ 460,960	\$ 437,775	\$ 436,796	\$ 436,565	\$ 435,835	\$ 418,596
PATH	389,276	401,273	338,926	329,663	322,133	385,686	300,874	290,309	266,886	232,991
Port Commerce	175,976	172,545	176,459	190,043	185,053	163,424	127,240	143,523	112,607	109,371
Aviation	1,557,926	1,623,190	1,466,692	1,410,070	1,385,582	1,317,749	1,306,078	1,346,197	1,244,954	1,183,636
Development	13,659	15,737	15,497	79,620	82,637	77,200	85,246	83,024	78,461	73,627
World Trade Center	258,748	192,789	94,312	76,149	106,277	116,797	158,348	144,470	88,647	71,680
Other <sup>(c)</sup>	5,194	7,337	10,953	35,639	22,327	99,926	24,088	19,604	20,004	22,723
<b>Total</b>	<b>\$ 2,900,652</b>	<b>\$ 2,923,254</b>	<b>\$ 2,596,268</b>	<b>\$ 2,589,447</b>	<b>\$ 2,564,969</b>	<b>\$ 2,598,557</b>	<b>\$ 2,438,670</b>	<b>\$ 2,463,692</b>	<b>\$ 2,247,394</b>	<b>\$ 2,112,624</b>
<b>Capital Investment: <sup>(d)</sup></b>										
Tunnels, Bridges and Terminals	\$ 956,231	\$ 961,854	\$ 413,946	\$ 233,637	\$ 168,759	\$ 149,803	\$ 175,392	\$ 174,680	\$ 164,846	\$ 210,345
PATH (including WTC Transportation Hub)	268,428	512,415	559,104	743,136	720,797	752,486	741,002	609,464	463,796	255,254
Port Commerce	93,729	210,496	180,760	184,750	228,747	302,858	174,459	181,772	288,677	228,873
Aviation	791,805	715,456	468,319	351,535	243,995	518,545	658,292	624,700	685,787	587,265
Development	2,110	1,977	527	140	(26,556)	29,297	23,237	22,037	14,593	12,332
World Trade Center	904,787	1,674,030	1,373,328	1,802,009	2,087,741	1,091,464	903,220	602,042	498,041	139,472
Other <sup>(a)</sup>	3,144	3,822	3,221	6,767	9,464	133,229	44,953	145,792	205,432	193,981
<b>Total</b>	<b>\$ 3,020,234</b>	<b>\$ 4,080,050</b>	<b>\$ 2,999,205</b>	<b>\$ 3,321,974</b>	<b>\$ 3,432,947</b>	<b>\$ 2,977,682</b>	<b>\$ 2,720,555</b>	<b>\$ 2,360,487</b>	<b>\$ 2,321,172</b>	<b>\$ 1,627,522</b>

<sup>(a)</sup> Includes Ferry Transportation Facilities, Access to the Regions Core, and Regional Facilities and Programs.

<sup>(b)</sup> Amounts include all direct operating and allocated expenses.

<sup>(c)</sup> Includes Ferry Transportation Facilities, Access to the Regions Core, Regional Facilities and Programs and administrative expenses related to PAICE.

<sup>(d)</sup> Capital investment includes contributed capital amounts and write-offs related to capital construction.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2015							2014
	Gross Operating Revenues	Operating Expenses <sup>(a)</sup>	Depreciation & Amortization	Income (Loss) from Operations	Interest, Grants & Other Expenses <sup>(b)</sup>	Capital Contributions & PFCs	Increase/ (Decrease) in Net Position	Increase/ (Decrease) in Net Position
(In thousands)								
<b>INTERSTATE TRANSPORTATION NETWORK</b>								
George Washington Bridge & Bus Station	\$ 738,973	\$ 125,668	\$ 33,574	\$ 579,731	\$ 26,598	\$ -	\$ 553,133	\$ 468,712
Holland Tunnel	187,224	80,368	18,359	88,497	9,367	-	79,130	58,155
Lincoln Tunnel	250,021	102,854	43,338	103,829	31,674	1,621	73,776	63,591
Bayonne Bridge	22,540	22,405	19,333	(19,198)	7,024	-	(26,222)	(2,624)
Goethals Bridge	195,665	25,540	34,937	135,188	7,400	-	127,788	99,500
Outerbridge Crossing	162,429	24,695	4,762	132,972	2,199	-	130,773	111,133
Port Authority Bus Terminal	42,723	118,343	24,961	(100,581)	16,545	305	(116,821)	(108,239)
Subtotal - Tunnels, Bridges & Terminals	1,599,575	499,873	179,264	920,438	100,807	1,926	821,557	690,228
PATH	178,839	369,324	163,634	(354,119)	130,021	21,190	(462,950)	(399,782)
WTC Transportation Hub	-	3,155	35,087	(38,242)	-	178,636	140,394	229,931
Journal Square Transportation Center	5,721	16,797	7,014	(18,090)	3,582	-	(21,672)	(18,306)
Subtotal - PATH	184,560	389,276	205,735	(410,451)	133,603	199,826	(344,228)	(188,157)
Ferry Transportation	183	917	5,289	(6,023)	4,837	-	(10,860)	(10,919)
Access to the Regions Core (ARC)	-	934	10,115	(11,049)	3,665	-	(14,714)	(14,569)
Total Interstate Transportation Network	1,784,318	891,000	400,403	492,915	242,912	201,752	451,755	476,583
<b>AVIATION</b>								
LaGuardia <sup>(c)</sup>	376,811	282,789	59,498	34,524	32,443	70,876	72,957	66,133
JFK International <sup>(c)</sup>	1,203,464	751,250	196,482	255,732	100,084	144,269	299,917	241,003
Newark Liberty International <sup>(c)</sup>	907,719	474,822	151,961	280,936	73,581	83,695	291,050	254,879
Teterboro	41,039	30,246	16,101	(5,308)	6,363	2,157	(9,514)	(6,618)
Stewart International <sup>(c)</sup>	8,200	18,819	6,258	(16,877)	2,537	2,551	(16,863)	(11,418)
Total Aviation	2,537,233	1,557,926	430,300	549,007	215,008	303,548	637,547	543,979
<b>PORT COMMERCE</b>								
Port Newark	87,835	95,365	30,742	(38,272)	28,139	-	(66,411)	(76,892)
Elizabeth Marine Terminal	130,134	22,875	35,772	71,487	39,286	-	32,201	35,168
Brooklyn Port Authority Marine Terminal	5,467	11,481	838	(6,852)	1,640	-	(8,492)	(8,763)
Red Hook	1,694	6,773	227	(5,306)	(428)	-	(4,878)	(5,979)
Howland Hook Marine Terminal	13,586	11,246	17,196	(14,856)	15,197	-	(30,053)	(16,111)
Greenville Yard Port Authority Marine Terminal	896	3	-	893	-	-	893	544
NYNJ Rail LLC	3,855	6,267	309	(2,721)	(593)	5,928	3,800	5,345
Port Jersey - Port Authority Marine Terminal	26,796	21,966	6,070	(1,240)	11,679	-	(12,919)	(13,312)
Total Port Commerce	270,263	175,976	91,154	3,133	94,920	5,928	(85,859)	(80,000)
<b>DEVELOPMENT</b>								
Essex County Resource Recovery	26	952	1,261	(2,187)	363	-	(2,550)	(272)
Industrial Park at Elizabeth	1,144	37	279	828	308	-	520	554
Bathgate Industrial Park	4,082	1,848	1,323	911	210	-	701	705
Teleport	11,150	10,434	1,842	(1,126)	481	-	(1,607)	(2,623)
Newark Legal & Communications Center	8	194	-	(186)	-	-	(186)	39,007
Queens West Waterfront Development	1,251	1	605	645	1,652	-	(1,007)	(1,431)
Hoboken South Waterfront Development	8,900	193	2,862	5,845	3,027	-	2,818	1,269
Total Development	26,561	13,659	8,172	4,730	6,041	-	(1,311)	37,209
<b>WORLD TRADE CENTER</b>								
WTC Site	3,686	95,421	54,815	(146,550)	(5,902)	-	(140,648)	(64,528)
One World Trade Center	133,602	121,143	85,229	(72,770)	156,447	9,815	(219,402)	(134,732)
WTC Towers 2, 3 & 4	37,815	20,444	38,369	(20,998)	28,509	313,959	264,452	338,357
WTC Tower 7	23,511	19,200	-	4,311	-	-	4,311	-
WTC Retail LLC	9,020	2,540	15,941	(9,461)	19,382	-	(28,843)	(16,669)
Total World Trade Center	207,634	258,748	194,354	(245,468)	198,436	323,774	(120,130)	122,428
Port Authority Insurance Captive Entity, LLC	-	433	-	(433)	(1,236)	-	803	(1,092)
Regional Facilities and Programs	573	2,910	64,665	(67,002)	36,133	-	(103,135)	(106,424)
Net Revenues related to Superstorm Sandy	-	-	-	123	-	-	123	53,530
<b>Total Port Authority</b>	<b>\$ 4,826,582</b>	<b>\$ 2,900,652</b>	<b>\$ 1,189,048</b>	<b>\$ 737,005</b>	<b>\$ 792,214</b>	<b>\$ 835,002</b>	<b>\$ 779,793</b>	<b>\$ 1,046,213</b>

<sup>(a)</sup> Amounts include all direct operating expenses and allocated expenses.

<sup>(b)</sup> Amounts include net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Pass-through grant program payments, Grants in connection with operating activities and gains or losses generated by the disposition of assets, if any.

<sup>(c)</sup> Facility amounts include Passenger Facility Charge activities.

**FINANCIAL STATEMENTS OF THE PORT AUTHORITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**Schedule F - Information on Capital Investment in Port Authority Facilities**

	Facilities, net Dec. 31, 2014	Capital Investment <sup>(a)</sup>	Depreciation	Dispositions	Facilities, net Dec. 31, 2015
(In thousands)					
<b>INTERSTATE TRANSPORTATION NETWORK</b>					
George Washington Bridge & Bus Station	\$ 906,776	\$ 80,763	\$ 33,574	\$ -	\$ 953,965
Holland Tunnel	362,174	35,703	18,359	-	379,518
Lincoln Tunnel	882,932	200,562	43,338	-	1,040,156
Bayonne Bridge	546,939	332,548	19,333	-	860,154
Goethals Bridge	536,282	272,785	34,937	-	774,130
Outerbridge Crossing	90,197	4,582	4,762	-	90,017
Port Authority Bus Terminal	479,804	29,288	24,961	-	484,131
Subtotal - Tunnels, Bridges & Terminals	<u>3,805,104</u>	<u>956,231</u>	<u>179,264</u>	<u>-</u>	<u>4,582,071</u>
PATH	2,410,384	154,670	163,634	-	2,401,420
WTC Transportation HUB	3,277,275	113,724	35,087	-	3,355,912
Journal Square Transportation Center	88,346	34	7,014	-	81,366
Subtotal - PATH	<u>5,776,005</u>	<u>268,428</u>	<u>205,735</u>	<u>-</u>	<u>5,838,698</u>
Ferry Transportation	111,426	592	5,289	-	106,729
Access to the Region's Core (ARC)	88,388	-	10,115	-	78,273
Total Interstate Transportation Network	<u>9,780,923</u>	<u>1,225,251</u>	<u>400,403</u>	<u>-</u>	<u>10,605,771</u>
<b>AVIATION <sup>(b)</sup></b>					
LaGuardia	1,157,041	356,631	59,498	-	1,454,174
JFK International	3,634,027	305,738	196,482	-	3,743,283
Newark Liberty International	2,432,406	98,791	151,961	-	2,379,236
Teterboro	250,835	6,164	16,101	-	240,898
Stewart International	146,184	24,481	6,258	-	164,407
Total Aviation	<u>7,620,493</u>	<u>791,805</u>	<u>430,300</u>	<u>-</u>	<u>7,981,998</u>
<b>PORT COMMERCE</b>					
Port Newark	774,558	55,983	30,742	-	799,799
Elizabeth Port Authority Marine Terminal	1,073,827	4,248	35,772	-	1,042,303
Brooklyn Port Authority Marine Terminal	57,550	5,337	1,065	-	61,822
Howland Hook Marine Terminal	496,855	4,921	17,196	-	484,580
Greenville Yard / NYNJ Rail LLC	27,303	10,069	309	-	37,063
Port Jersey-Port Authority Marine Terminal	382,391	13,171	6,070	-	389,492
Total Port Commerce	<u>2,812,484</u>	<u>93,729</u>	<u>91,154</u>	<u>-</u>	<u>2,815,059</u>
<b>DEVELOPMENT</b>					
Essex County Resource Recovery Facility	7,071	-	1,261	-	5,810
Industrial Park at Elizabeth	6,370	-	279	-	6,091
Bathgate Industrial Park	4,347	1,238	1,323	-	4,262
Teleport	12,440	872	1,842	-	11,470
Queens West Waterfront Development	86,616	-	605	-	86,011
Hoboken South Waterfront Development	71,968	-	2,862	-	69,106
Total Development	<u>188,812</u>	<u>2,110</u>	<u>8,172</u>	<u>-</u>	<u>182,750</u>
<b>WORLD TRADE CENTER</b>					
WTC Site <sup>(c)</sup>	3,361,327	305,749	54,815	-	3,612,261
One World Trade Center	3,296,569	139,188	85,229	-	3,350,528
WTC Towers 2, 3 & 4 <sup>(d)</sup>	2,271,576	328,968	38,369	-	2,562,175
WTC Retail LLC	1,441,291	130,882	15,941	-	1,556,232
Total World Trade Center	<u>10,370,763</u>	<u>904,787</u>	<u>194,354</u>	<u>-</u>	<u>11,081,196</u>
<b>FACILITIES, NET</b>	<u>\$ 30,773,475</u>	<u>\$ 3,017,682</u>	<u>\$ 1,124,383</u>	<u>\$ -</u>	<u>\$ 32,666,774</u>
<b>REGIONAL PROGRAMS</b>	<u>\$ 342,987</u>	<u>\$ 2,552</u>	<u>\$ 64,665</u>	<u>\$ -</u>	<u>\$ 280,874</u>

<sup>(a)</sup> Capital investment includes contributed capital amounts and write-offs related to capital construction.

<sup>(b)</sup> Facility capital investment amounts include projects that were funded with Passenger Facility Charges.

<sup>(c)</sup> Capital investment includes site infrastructure primarily related to the WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.

<sup>(d)</sup> Includes WTC net lessee contributed capital amounts related to the construction of Tower 2, 3 and 4.

Schedule G - Port Authority Facility Traffic\*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>AUTOMOBILES</b>										
George Washington Bridge	46,361,000	45,136,000	45,364,000	45,042,000	46,116,000	46,954,000	47,686,000	48,112,000	49,025,000	49,342,000
Lincoln Tunnel	15,706,000	15,597,000	15,580,000	15,909,000	16,644,000	17,034,000	16,879,000	17,402,000	18,311,000	18,481,000
Holland Tunnel	14,763,000	14,915,000	15,511,000	15,489,000	15,968,000	16,460,000	16,269,000	16,521,000	17,006,000	17,026,000
Staten Island Bridges	28,883,000	28,317,000	28,997,000	29,455,000	29,700,000	30,034,000	29,921,000	30,141,000	31,007,000	30,657,000
<b>Subtotal Automobiles</b>	<b>105,713,000</b>	<b>103,965,000</b>	<b>105,452,000</b>	<b>105,895,000</b>	<b>108,428,000</b>	<b>110,482,000</b>	<b>110,755,000</b>	<b>112,176,000</b>	<b>115,349,000</b>	<b>115,506,000</b>
<b>BUSES</b>										
George Washington Bridge	429,000	426,000	429,000	430,000	487,000	514,000	520,000	550,000	576,000	588,000
Lincoln Tunnel	2,165,000	2,151,000	2,128,000	2,106,000	2,156,000	2,139,000	2,128,000	2,122,000	2,091,000	2,069,000
Holland Tunnel	199,000	209,000	220,000	234,000	268,000	265,000	254,000	253,000	245,000	244,000
Staten Island Bridges	176,000	172,000	171,000	187,000	200,000	204,000	217,000	233,000	227,000	239,000
<b>Subtotal Buses</b>	<b>2,969,000</b>	<b>2,958,000</b>	<b>2,948,000</b>	<b>2,957,000</b>	<b>3,111,000</b>	<b>3,122,000</b>	<b>3,119,000</b>	<b>3,158,000</b>	<b>3,139,000</b>	<b>3,140,000</b>
<b>TRUCKS</b>										
George Washington Bridge	3,666,000	3,475,000	3,609,000	3,639,000	3,794,000	3,763,000	3,920,000	4,285,000	4,355,000	4,335,000
Lincoln Tunnel	1,061,000	1,043,000	1,038,000	1,000,000	1,029,000	1,041,000	1,241,000	1,413,000	1,440,000	1,383,000
Holland Tunnel	447,000	446,000	427,000	395,000	354,000	312,000	86,000	97,000	98,000	95,000
Staten Island Bridges	2,091,000	2,131,000	2,214,000	2,367,000	2,434,000	2,486,000	2,379,000	2,596,000	2,623,000	2,561,000
<b>Subtotal Trucks</b>	<b>7,265,000</b>	<b>7,095,000</b>	<b>7,288,000</b>	<b>7,401,000</b>	<b>7,611,000</b>	<b>7,602,000</b>	<b>7,626,000</b>	<b>8,391,000</b>	<b>8,516,000</b>	<b>8,374,000</b>
<b>TOTAL VEHICLES</b>										
George Washington Bridge	50,456,000	49,037,000	49,402,000	49,111,000	50,397,000	51,231,000	52,126,000	52,947,000	53,956,000	54,265,000
Lincoln Tunnel	18,932,000	18,791,000	18,746,000	19,015,000	19,829,000	20,214,000	20,248,000	20,937,000	21,842,000	21,933,000
Holland Tunnel	15,409,000	15,570,000	16,158,000	16,118,000	16,590,000	17,037,000	16,609,000	16,871,000	17,349,000	17,365,000
Staten Island Bridges	31,150,000	30,620,000	31,382,000	32,009,000	32,334,000	32,724,000	32,517,000	32,970,000	33,857,000	33,457,000
<b>Subtotal Vehicles</b>	<b>115,947,000</b>	<b>114,018,000</b>	<b>115,688,000</b>	<b>116,253,000</b>	<b>119,150,000</b>	<b>121,206,000</b>	<b>121,500,000</b>	<b>123,725,000</b>	<b>127,004,000</b>	<b>127,020,000</b>
<b>TUNNELS AND BRIDGES (Eastbound Traffic)</b>										
Total passengers	76,565,451	73,679,425	72,748,729	72,563,052	76,555,644	73,911,000	72,277,000	74,956,000	71,592,000	66,966,000
Passenger weekday average	257,867	250,071	244,484	241,725	256,186	246,890	243,413	253,000	242,000	227,000
<b>PATH</b>										
General cargo <sup>(a)</sup> (Metric tons)	38,000,000	35,361,350	34,059,540	34,322,209	33,896,217	32,170,041	28,240,770	33,633,613	32,732,000	31,194,421
Containers (in twenty foot equivalent units)	6,200,000	5,772,303	5,467,347	5,529,908	5,503,485	5,292,020	4,561,527	5,265,053	5,298,000	5,093,000
International waterborne vehicles	477,170	393,391	452,778	426,943	387,656	493,245	440,463	723,550	790,000	732,000
Waterborne bulk commodities (in metric tons)	5,050,000	5,259,607	3,732,292	3,240,189	3,885,614	3,192,132	4,605,609	4,549,572	7,000,000	6,000,000
<b>MARINE TERMINALS</b>										
New Jersey Marine Terminals	3,427,000	3,098,049	2,895,769	2,782,059	2,652,744	2,500,503	2,156,961	2,499,054	2,630,849	2,611,608
New York Marine Terminals	237,000	244,237	274,066	428,750	544,272	575,892	495,248	569,881	468,190	379,476
<b>Subtotal Containers</b>	<b>3,664,000</b>	<b>3,342,286</b>	<b>3,169,835</b>	<b>3,210,809</b>	<b>3,197,016</b>	<b>3,076,395</b>	<b>2,652,209</b>	<b>3,068,935</b>	<b>3,099,039</b>	<b>2,991,084</b>
<b>PASSENGERS</b>										
Port Authority Bus Terminal	66,700,000	66,000,000	65,000,000	65,000,000	64,550,000	63,585,000	64,585,000	64,390,000	57,346,000	59,187,000
George Washington Bridge Bus Station	5,000,000	4,700,000	4,700,000	4,700,000	4,605,000	4,510,000	4,425,000	5,288,000	5,144,000	5,222,000
PATH Journal Square Transportation Center Bus Station	11,940,000	11,751,500	11,747,500	11,732,600	12,248,160	7,282,900	6,758,800	6,558,000	9,050,000	8,322,000
<b>Subtotal Passengers</b>	<b>83,640,000</b>	<b>82,451,500</b>	<b>81,447,500</b>	<b>81,432,600</b>	<b>76,403,160</b>	<b>75,377,900</b>	<b>75,768,800</b>	<b>76,236,000</b>	<b>71,540,000</b>	<b>72,731,000</b>
<b>BUS MOVEMENTS</b>										
Port Authority Bus Terminal	2,350,000	2,320,000	2,288,000	2,255,000	2,263,500	2,220,000	2,240,000	2,225,000	2,169,000	2,192,000
George Washington Bridge Bus Station	340,000	337,000	335,000	327,000	307,000	300,000	295,000	324,000	305,000	309,000
PATH Journal Square Transportation Center Bus Station	957,120	940,120	939,800	938,608	814,400	818,300	850,800	825,590	887,000	893,000
<b>Subtotal Bus Movements</b>	<b>3,647,120</b>	<b>3,597,120</b>	<b>3,562,800</b>	<b>3,520,608</b>	<b>3,384,900</b>	<b>3,338,300</b>	<b>3,385,800</b>	<b>3,374,590</b>	<b>3,361,000</b>	<b>3,394,000</b>
<b>PLANE MOVEMENTS</b>										
John F. Kennedy International Airport	433,193	423,356	406,181	401,728	408,730	396,912	413,044	437,969	443,750	378,329
LaGuardia Airport	358,609	360,834	370,861	369,989	365,870	361,616	354,008	378,402	390,765	399,821
Newark Liberty International Airport	409,708	397,260	413,774	414,127	410,024	409,321	412,041	432,941	436,113	444,242
<b>Subtotal Plane Movements</b>	<b>1,201,510</b>	<b>1,181,450</b>	<b>1,190,816</b>	<b>1,185,844</b>	<b>1,184,624</b>	<b>1,167,849</b>	<b>1,181,093</b>	<b>1,249,312</b>	<b>1,270,628</b>	<b>1,222,392</b>
<b>DOMESTIC PASSENGERS</b>										
John F. Kennedy International Airport	26,811,992	25,011,187	23,913,096	24,217,083	23,757,976	23,404,277	24,021,233	25,405,948	26,173,650	23,003,499
LaGuardia Airport	26,522,378	25,139,695	24,953,572	24,274,029	23,086,756	22,950,115	22,153,236	21,945,239	23,758,362	24,496,831
Newark Liberty International Airport	25,449,774	23,762,627	23,716,837	22,836,683	22,189,669	21,716,886	22,782,126	24,227,815	25,614,140	25,662,797
<b>Subtotal Domestic Passengers</b>	<b>78,784,144</b>	<b>73,913,509</b>	<b>72,583,505</b>	<b>71,327,795</b>	<b>69,034,401</b>	<b>68,071,278</b>	<b>68,956,595</b>	<b>71,579,002</b>	<b>75,546,152</b>	<b>73,163,127</b>
<b>INTERNATIONAL PASSENGERS</b>										
John F. Kennedy International Airport	29,796,307	28,189,505	26,541,183	25,057,093	23,886,084	23,109,877	21,856,709	22,383,907	21,543,251	19,625,911
LaGuardia Airport	1,778,595	1,814,893	1,727,528	1,433,755	1,035,722	1,032,967	1,010,223	1,131,664	1,226,902	1,313,621
Newark Liberty International Airport	11,824,364	11,848,060	11,299,399	11,147,344	11,509,823	11,477,304	10,646,771	11,119,078	10,753,100	10,029,090
<b>Subtotal International Passengers</b>	<b>43,399,266</b>	<b>41,852,458</b>	<b>39,568,110</b>	<b>37,638,192</b>	<b>36,431,629</b>	<b>35,620,148</b>	<b>33,513,703</b>	<b>34,634,649</b>	<b>33,523,253</b>	<b>30,968,622</b>
<b>TOTAL PASSENGERS</b>										
John F. Kennedy International Airport	56,608,299	53,200,692	50,454,279	49,274,176	47,644,060	46,514,154	45,877,942	47,789,855	47,716,901	42,629,410
LaGuardia Airport	28,300,973	26,954,588	26,681,100	25,707,784	24,122,478	23,983,082	23,163,459	23,076,903	24,985,264	25,810,452
Newark Liberty International Airport	37,274,138	35,610,687	35,016,236	33,984,027	33,699,492	33,194,190	33,428,897	35,346,893	36,367,240	35,691,887
<b>Subtotal Passengers</b>	<b>122,183,410</b>	<b>115,765,967</b>	<b>112,151,615</b>	<b>108,965,987</b>	<b>105,466,030</b>	<b>103,691,426</b>	<b>102,470,298</b>	<b>106,213,651</b>	<b>109,069,405</b>	<b>104,131,749</b>
<b>CARGO-TONS</b>										
John F. Kennedy International Airport	1,334,266	1,342,017	1,321,035	1,319,226	1,382,949	1,392,866	1,156,040	1,473,809	1,656,431	1,704,200
LaGuardia Airport	7,753	7,140	6,720	7,009	7,390	7,516	6,712	8,889	9,595	13,998
Newark Liberty International Airport	707,593	666,840	663,155	742,898	812,341	860,970	761,920	860,717	953,556	978,343
<b>Subtotal Cargo-Tons</b>	<b>2,049,612</b>	<b>2,015,997</b>	<b>2,009,910</b>	<b>2,069,133</b>	<b>2,202,680</b>	<b>2,261,352</b>	<b>1,924,672</b>	<b>2,343,415</b>	<b>2,619,582</b>	<b>2,696,541</b>
<b>Revenue mail-tons</b>	<b>126,026</b>	<b>112,524</b>	<b>158,778</b>	<b>174,242</b>	<b>184,696</b>	<b>185,681</b>	<b>204,511</b>	<b>237,087</b>	<b>226,512</b>	<b>194,099</b>

\* Some 2015 and 2014 numbers reflect estimated data based on available year-end information.  
(a) International oceanborne general and bulk cargo as recorded in the New York - New Jersey Customs District.

---

**BONDS, NOTES AND OTHER OBLIGATIONS**

---

**Consolidated Bonds**

*References to Consolidated Bonds herein are equally applicable to and include Consolidated Notes.*

On October 9, 1952, the Port Authority adopted the Consolidated Bond Resolution establishing the issue of Consolidated Bonds. A copy of the Consolidated Bond Resolution is set forth at pp. IV-15 — IV-34. Each series of Consolidated Bonds is issued pursuant to the Consolidated Bond Resolution and resolutions pertaining to the establishment and the authorization of the issuance of, and the authorization of the sale of, such series. Each of such resolutions must be studied for a precise understanding of its provisions.

*Establishment and Issuance*

Consolidated Bonds are direct and general obligations of the Port Authority and the full faith and credit of the Port Authority are pledged to the payment of debt service thereon.

Consolidated Bonds may be issued from time to time in such series and as the Port Authority may determine, but only for purposes for which the Port Authority is authorized by law to issue bonds secured by a pledge of its General Reserve Fund. So long as Consolidated Bonds presently outstanding are outstanding, Consolidated Bonds may be issued for purposes in connection with additional facilities (in addition to those for which the Port Authority has already issued bonds secured by a pledge of the General Reserve Fund) only if the Port Authority has first certified its opinion that such issuance will not, among other things, materially impair its ability to fulfill its undertakings to the holders of Consolidated Bonds.

The Port Authority may not issue any Consolidated Bonds (except such Consolidated Bonds issued to refund other Consolidated Bonds) except under one or another of three conditions, each of which requires that a certain future calendar year's debt service is met at least one and three-tenths (1.3) times by certain revenues. The method of computation of revenues and debt service and of the application of the conditions is set forth in Section 3 of the Consolidated Bond Resolution.

*Security*

All Consolidated Bonds, including any which may hereafter be issued, are equally and ratably secured by a pledge of the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility which may hereafter be financed in whole or in part through the medium of Consolidated Bonds, in the manner and to the extent provided in Sections 4 and 5 of the Consolidated Bond Resolution. The prior liens and pledges with respect to certain of such net revenues in favor of General and Refunding, Air Terminal and Marine Terminal Bonds of the Port Authority referred to in Sections 4 and 5 of the Consolidated Bond Resolution have been satisfied.

All Consolidated Bonds are further secured by a pledge of the moneys in the Consolidated Bond Reserve Fund established by Section 7 of the Consolidated Bond Resolution, in the manner and to the extent set forth in said section, and by a pledge of the General Reserve Fund on an equal footing with other obligations of the Port Authority secured by a pledge of the General Reserve Fund, in the manner and to the extent provided in Section 6 of the Consolidated Bond Resolution.

## APPENDIX C

---

### *Consolidated Bond Reserve Fund*

A special fund is created by Section 7 of the Consolidated Bond Resolution as additional security for all Consolidated Bonds. Into this fund is to be paid the balance remaining of all net revenues (as defined in the Consolidated Bond Resolution), after deducting payment of debt service upon all Consolidated Bonds and such amounts as may be required to maintain the General Reserve Fund at its statutory amount. Consolidated Bonds have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds. The prior liens and pledges with respect to certain of such net revenues in favor of General and Refunding, Air Terminal and Marine Terminal Bonds of the Port Authority referred to in Sections 4 and 5 of the Consolidated Bond Resolution have been satisfied.

The moneys in the Consolidated Bond Reserve Fund may be accumulated or applied only to the purposes stated in Section 7 of the Consolidated Bond Resolution, which include the payment of debt service and retirement of Consolidated Bonds (with certain limitations) and certain other purposes. Such other purposes, so long as Consolidated Bonds presently outstanding are outstanding, must be related to bonds or notes secured by a pledge of the General Reserve Fund or facilities financed by such bonds or notes, but not necessarily related to Consolidated Bonds or facilities the net revenues of which are pledged in support of Consolidated Bonds. Moneys in the Consolidated Bond Reserve Fund are available for such other purposes, which include application to the payment of debt service on Versatile Structure Obligations, Commercial Paper Obligations and Variable Rate Master Notes.

No representation is made as to the future payments to be made from the Consolidated Bond Reserve Fund; however, the Consolidated Bond Reserve Fund is not available to pay debt service on Special Project Bonds.

### *Amortization*

The manner and rate of retirement of each such series of Consolidated Bonds is specified in or pursuant to the resolution establishing such series.

If a series of Consolidated Bonds is to be issued for refunding purposes, and cannot be issued so as to meet one or another of the conditions of debt service coverage by net revenues set forth in Section 3 of the Consolidated Bond Resolution, the series resolution must specify the principal amount thereof to be retired during each year of the term of such series commencing not later than the eleventh anniversary of the series. Furthermore, in each such case, the schedule of retirement must be so arranged that the annual debt service during the term of retirement shall be level on one or another of three bases set forth in Section 8 of the Consolidated Bond Resolution, with ten percent (10%) variations permitted between the amounts of debt service for any two years in the schedule.

Except for series described in the preceding paragraph, there is no limitation on the Port Authority's power to arrange retirement of any series of Consolidated Bonds in any manner or amount at or before maturity except insofar as it may be necessary to arrange future debt service on such series in such a manner as to meet one or another of the conditions of debt service coverage by net revenues set forth in Section 3 of the Consolidated Bond Resolution.

### *Modifications*

The Port Authority may from time to time and at any time, without authorization, consent or other action by any of the holders of Consolidated Bonds, modify or amend the Consolidated Bond Resolution, or any other resolution relating to Consolidated Bonds, but only for the purpose of curing any ambiguity or



of curing or correcting any defective or inconsistent provision, or for any other purpose not inconsistent with the Consolidated Bond Resolution or with any other resolution relating to Consolidated Bonds; provided, that no such amendment shall alter or impair the obligation of the Port Authority, which is absolute and unconditional, to pay the principal and interest of any bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, or shall alter or impair the security of any bond, or otherwise alter or impair any rights of any bondholder.

In addition, any of the terms or provisions of the Consolidated Bond Resolution (or of any resolution amendatory thereof or supplemental thereto) may be amended, repealed or modified in the manner set forth in Section 16 of the Consolidated Bond Resolution, for the purpose of modifying or amending in any particular any of the terms or provisions (including, without limiting the generality of the foregoing, any provisions regarding amortization and retirement) of any of the Consolidated Bonds or of any of the coupons pertaining thereto; provided, that no such amendment, repeal or modification shall alter or impair the obligation of the Port Authority, which is absolute and unconditional, to pay the principal and interest of any Consolidated Bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, without the express consent of the holder of such bond.

### **General Reserve Fund**

#### *Statutory Authorization and Establishment*

The General Reserve Fund was established pursuant to Chapter 5 of the Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, which have been amended and supplemented. The resolutions of the Board of Commissioners of the Port Authority pertaining to the establishment of the General Reserve Fund (see pp. IV-13 — IV-14), the establishment of the issue of Consolidated Bonds (see pp. IV-15 — IV-34) and the establishment and authorization of the issuance of each series of Consolidated Bonds, constitute the entire agreement between the Port Authority and registered holders of the Bonds, including with respect to the General Reserve Fund; and the statutes relating to the General Reserve Fund and such resolutions govern the rights of such holders with respect to the purposes for which moneys in the General Reserve Fund may be applied and the limitations upon investment of such moneys.

Under the statutes authorizing the establishment and pledge of the General Reserve Fund (“General Reserve Fund Statutes”), in all cases where the Port Authority has raised or may raise moneys to finance or refinance its facilities by the issue and sale of bonds legal for investment, as limited and defined in the applicable statutes, the surplus revenues, as defined therein, from such facilities are required to be pooled by the Port Authority and applied to the establishment and maintenance of a General Reserve Fund in an amount equal to ten percent (10%) of the par value of all such outstanding bonds legal for investment, as so defined. The outstanding bonds and notes of the Port Authority, other than Port Authority Equipment Notes, Commercial Paper Obligations and Variable Rate Master Notes issued for certain purposes, are bonds legal for investment within the statutory definitions; also, all of the Port Authority’s existing facilities have been financed in whole or in part by bonds legal for investment within the meaning of the General Reserve Fund Statutes. The Port Authority currently takes into account all outstanding bonds and notes in determining the funding of the General Reserve Fund.

#### *Purposes for Which the Fund is Available*

The General Reserve Fund Statutes permit the General Reserve Fund to be pledged in whole or in part by the Port Authority or applied by it to the repayment with interest of any moneys raised upon any such bonds legal for investment, and permit the Port Authority to apply such moneys in the General Reserve Fund to the fulfillment of any other undertakings assumed to or for the benefit of the holders of any such bonds.

## APPENDIX C

---

Under the aforesaid agreement between the Port Authority and the registered holders of the Bonds, the Port Authority's power to use and invest the moneys in the General Reserve Fund at any time is curtailed within narrower limits than the maximum which the statutes permit. Application of the General Reserve Fund is by such agreement restricted to purposes in connection with bonds secured by a pledge of the General Reserve Fund, and except to the extent that the combined balances in certain debt reserve funds of the Port Authority (currently the General Reserve Fund and the Consolidated Bond Reserve Fund) may at the time exceed the amount necessary to meet the next two (2) years' debt service (computed as set forth in Section 6 of the Consolidated Bond Resolution) on all bonds then outstanding which are secured by a pledge of the General Reserve Fund, the Port Authority covenants (subject to certain prior pledges in connection with General and Refunding, Air Terminal and Marine Terminal Bonds, the debt service requirements on which the Port Authority has fully satisfied, when due, as scheduled) that General Reserve Fund moneys may not be used for any purpose if at the time there are any other moneys of the Port Authority available for that purpose and may not be used for the prepayment of debt service before due, and must be held in the form of cash or in obligations of (or guaranteed by) the United States.

### *Bonds Secured by Pledge of the General Reserve Fund*

At the present time, the General Reserve Fund is pledged in support of all outstanding Consolidated Bonds and all Consolidated Bonds now or hereafter issued. The General Reserve Fund is not available to pay debt service on Special Project Bonds, Versatile Structure Obligations, Commercial Paper Obligations or Variable Rate Master Notes.

In connection with the pledge of the General Reserve Fund made in support of Consolidated Bonds, as aforesaid, the Port Authority has reserved the right to pledge the General Reserve Fund as security for any bonds, notes or other evidences of indebtedness whatsoever hereafter issued by the Port Authority as security for which it may at the time be authorized by law to pledge the General Reserve Fund and to use the moneys in the General Reserve Fund to fulfill any of its undertakings in connection with bonds, notes or other evidences of indebtedness secured by a pledge of the General Reserve Fund, except that the General Reserve Fund may not so long as Consolidated Bonds presently outstanding are outstanding be pledged in support of bonds or notes to be issued in connection with any additional facility (in connection with which the Port Authority has not previously issued bonds secured by such pledge) unless the Port Authority has first certified its opinion that such pledge will not, among other things, materially impair its ability to fulfill its undertakings to the holders of Consolidated Bonds.

All Consolidated Bonds are secured by a pledge of the General Reserve Fund on an equal footing and the Consolidated Bond Resolution provides that no greater rights in or to the General Reserve Fund may hereafter be granted to the holders of any other obligations than are now granted to the holders of the bonds issued pursuant to the Consolidated Bond Resolution.

### *Sources of Payments into the Fund*

The surplus revenues of all facilities of the Port Authority are payable into the General Reserve Fund to the extent required by the General Reserve Fund Statutes. Certain of the facilities of the Port Authority operate at a deficit or do not generate surplus revenue.

### *Size of the Fund*

The statutory amount of the General Reserve Fund, to the establishment and maintenance of which the Port Authority is required to apply the surplus revenues of its facilities financed or refinanced by bonds legal for investment, as defined in the General Reserve Fund Statutes, is ten percent (10%) of the par value of such bonds currently outstanding. The statutory amount has varied with the issuance and retirement of

## APPENDIX C

---

the various bonds upon the par value of which it is calculated. Through calendar year 2003, as of the close of each calendar year, the Port Authority determined such amount and applied any surplus revenues available therefor, to the extent required, to maintain the General Reserve Fund at its then statutory amount. Commencing in 2004, the Port Authority determined the statutory amount of the General Reserve Fund at the close of each calendar quarter and in 2006, in connection with monthly closings of the Port Authority's financial accounts the Port Authority began determining the statutory amount to the General Reserve Fund at the close of each calendar month, applying any surplus revenues available at such time, to the extent required, to maintain the General Reserve Fund at its then statutory amount, subject to reconciliation at the close of the calendar year.

On December 31, 1946, the statutory amount was \$18,932,900 and payments into the General Reserve Fund on that date brought its balance up to that amount. On each December 31 thereafter, the General Reserve Fund was maintained at not less than its then statutory amount. The amount in the General Reserve Fund on December 31, 2015 was \$2,297,475,500 (see p. IV-3).

### *Anticipated Payments from the Fund*

The Port Authority anticipates that certain payments will be made out of the General Reserve Fund from time to time to fulfill undertakings assumed to or for the benefit of the holders of bonds in support of which the General Reserve Fund has been pledged. As noted at "*Purposes for Which the Fund is Available*," the General Reserve Fund is applicable, if necessary, to fulfill undertakings assumed to or for the benefit of the holders of bonds of the Port Authority legal for investment, including those undertakings incurred by the Port Authority in connection with the existing facilities of the Port Authority. No representation is made as to the future payments to be made from the General Reserve Fund. The General Reserve Fund is not available to pay debt service on Special Project Bonds, Versatile Structure Obligations, Commercial Paper Obligations or Variable Rate Master Notes.

### **Rate Powers and Covenants**

As a result of legislation contained in Chapter 47 of the Laws of New York of 1931 and Chapter 4 of the Laws of New Jersey of 1931; in Chapter 802 of the Laws of New York of 1947 and Chapter 43 of the Laws of New Jersey of 1947; in Chapter 209 of the Laws of New York of 1962 and Chapter 8 of the Laws of New Jersey of 1962; and in Chapter 651 of the Laws of New York of 1978 and Chapter 110 of the Laws of New Jersey of 1978, the two States covenanted with each other and with the holders of any bonds of the Port Authority which may be secured by its General Reserve Fund (including Consolidated Bonds) that the two States will not diminish or impair the power of the Port Authority to establish, levy and collect tolls, rents, fares, fees or other charges in connection with any facility owned or operated by the Port Authority, the revenues of which shall have been pledged in whole or in part as security for such bonds. All present facilities of the Port Authority and the charges therefor are covered by these statutory covenants, so long as such bonds remain outstanding.

Under the 1962 and 1978 statutes, the States also have covenanted that they will not diminish or impair the Port Authority's power to determine the quantity, quality, frequency or nature of the service provided in connection with each such facility.

The Port Authority has covenanted with the holders of Consolidated Bonds to establish charges in connection with facilities the net revenues (as defined in the Consolidated Bond Resolution) of which are pledged as security for such bonds (all present Port Authority facilities) to the end that at least sufficient net revenues may be produced therefrom to provide for the debt service on all Consolidated Bonds, and in the event that such net revenues are insufficient to provide for the debt service on Consolidated Bonds, to make good any deficiency out of the General Reserve Fund or other available revenues, moneys or funds

## **APPENDIX C**

---

and for that purpose to establish charges in connection with facilities the surplus revenues of which are payable into the General Reserve Fund, which include all present Port Authority facilities, to the end that combined surplus revenues may be produced therefrom at least sufficient to cover debt service on Consolidated Bonds.

### **Port Authority Equipment Notes**

On June 10, 1993, the Port Authority established an issue of special obligations known as Port Authority Equipment Notes. The Port Authority's equipment notes program presently provides, as a result of the November 18, 1999 modification, for the issuance of Port Authority Equipment Notes under agreements to be entered into with selected purchasers, in an aggregate principal amount at any one time outstanding not in excess of \$250,000,000. Each series of Port Authority Equipment Notes is issued pursuant to the Port Authority Equipment Note Resolution. Port Authority Equipment Notes presently outstanding are subject to prepayment at the option of the Port Authority. Port Authority Equipment Notes presently outstanding are also subject to tender by the holders thereof to certain remarketing agents appointed by the Port Authority. In the event a remarketing agent does not find a party to purchase a tendered note on its purchase date, then the Port Authority is obligated to pay the purchase price for such note.

The payment of the principal of and interest on Port Authority Equipment Notes shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes or from the same revenues and in the same manner as operating expenses of the Port Authority.

Proceeds of Port Authority Equipment Notes are authorized, subject to allocation to some but not all of the following purposes, to be used in connection with the purchase of Equipment (as defined in the Port Authority Equipment Note Resolution) by the Port Authority, to refund obligations issued by the Port Authority in connection with the purchase of Equipment and/or for incidental purposes, including certain costs of, and relating to, such Port Authority Equipment Notes.

### **Special Project Bonds**

On June 9, 1983, the Port Authority established an issue of special limited obligations known as Special Project Bonds. Each series of Special Project Bonds is issued pursuant to the Special Project Bond Resolution.

Neither the full faith and credit of the Port Authority nor the General Reserve Fund or the Consolidated Bond Reserve Fund are pledged to the payment of interest on or the repayment of the principal of Special Project Bonds, which are underlying mortgage bonds within the meaning of the Consolidated Bond Resolution. Each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority, in favor of the holders of such bonds, of facility rental as set forth in a lease with respect to the project to be provided with the proceeds of such bonds, by a mortgage by the applicable lessee, in favor of the holders of such bonds, of the lessee's leasehold interests under the lease with respect to such project and by a security interest granted by the applicable lessee to the Port Authority and mortgaged by the Port Authority, in favor of the holders of such bonds, in certain items of the lessee's personalty to be located at such project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

Special Project Bonds of any particular series may be issued only for the purpose of providing a single project for a lessee or for the purpose of refunding all or any part of a prior series of Special Project Bonds

## APPENDIX C

---

or a combination of such purposes. Each series of Special Project Bonds is to be issued under a separate resolution and may be issued in one or more installments as the Port Authority may determine.

The following series (in the principal amounts indicated) of Special Project Bonds are currently outstanding:

\$77,900,000 Special Project Bonds, Series 4, KIAC Partners Project (John F. Kennedy International Airport cogeneration project);

\$576,990,000 Special Project Bonds, Series 6, JFK International Air Terminal LLC Project (John F. Kennedy International Airport passenger terminal); and

\$796,280,000 Special Project Bonds, Series 8, JFK International Air Terminal LLC Project (John F. Kennedy International Airport passenger terminal).

### **Versatile Structure Obligations**

On June 11, 1992, the Port Authority established an issue of special obligations known as Port Authority Versatile Structure Obligations. The Port Authority's versatile structure obligations program, presently provides, as a result of the November 18, 1999 modification, for the sale of such obligations, from time to time, in one or more series. Each series of Versatile Structure Obligations is issued pursuant to the Port Authority Versatile Structure Obligations Resolution.

The payment of the principal of and interest on Versatile Structure Obligations shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of Versatile Structure Obligations, deposited to the Consolidated Bond Reserve Fund, and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of Versatile Structure Obligations, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution.

Payment of the principal of and interest on Versatile Structure Obligations is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. Versatile Structure Obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund.

Proceeds of Versatile Structure Obligations are authorized, subject to allocation to some but not all of the following purposes, to be used (a) for purposes of, or with respect to the financing of, capital expenditures in connection with any one or more of the facilities of the Port Authority, provided, that subject to agreements with the holders of obligations of the Port Authority, all or any portion of the unspent proceeds of a series of Versatile Structure Obligations may be allocated to any purpose for which at the time of issuance of such series the Port Authority is authorized by law to issue its obligations, including for purposes of, or with respect to the financing of, capital expenditures in connection with additional facilities of the Port Authority certified or to be certified after issuance of such series, (b) for purposes of refunding,

## APPENDIX C

---

directly, by offers to exchange, or otherwise, all or any part of any bonds, notes or other obligations of the Port Authority, and (c) for certain incidental purposes, including certain costs of, and relating to, such Versatile Structure Obligations.

The Port Authority shall not issue new Versatile Structure Obligations, for purposes other than to refund outstanding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes), if at the time of issuance of such new Versatile Structure Obligations, either: (a) the total principal amount of all bonds, notes or other obligations of the Port Authority outstanding as of such time of issuance, including the new Versatile Structure Obligations and excluding Consolidated Bonds, Special Project Bonds, Commercial Paper Obligations and Port Authority Equipment Notes, exceeds twenty-five percent (25%) of the total principal amount of all bonds, notes and other obligations of the Port Authority outstanding as of such time of issuance, including the new Versatile Structure Obligations and excluding Special Project Bonds, Commercial Paper Obligations and Port Authority Equipment Notes; or (b) net revenues (computed as hereinafter set forth) of the Port Authority for any period of twelve (12) consecutive months during the thirty-six (36) month period preceding such time of issuance shall not have amounted to at least one and fifteen one-hundredths (1.15) times the prospective debt service (computed as hereinafter set forth) for the calendar year after such time of issuance, for which the combined debt service (so computed) upon all obligations outstanding as of such time of issuance which are secured by or payable from net revenues, including the new Versatile Structure Obligations and excluding Commercial Paper Obligations, would be at a maximum. In calculating such prospective debt service there may, at the Port Authority's option, be substituted for the actual prospective interest payable on any of such obligations secured by or payable from net revenues of the Port Authority, including the new Versatile Structure Obligations, prospective interest on any of such obligations, as follows: in the event that any of such obligations (i) bears interest at a fixed interest rate and has a remaining term to maturity of less than three (3) years from such time of issuance, then the interest rate on such obligation shall be deemed to be the higher of the interest rate on such obligation as of such time of issuance and the interest rate on the most recent series of Port Authority obligations with a term to maturity of at least thirty (30) years, or (ii) bears interest on the basis of an interest payment schedule providing for payments less frequently than annually, then the interest rate on such obligation shall be deemed to be the interest rate equal to the yield to maturity of such obligation as of such time of issuance, or (iii) bears interest at a variable interest rate, then the interest rate on such obligation shall be deemed to be the higher of the rate as published in the Revenue Bond Index of *The Bond Buyer* in effect as of such time of issuance (and in the event such Revenue Bond Index is not published as of such time of issuance, then such rate determined on the basis of a comparable index selected in the sole discretion of the Committee on Finance of the Board of Commissioners of the Port Authority) and the average interest rate on such obligation for the twelve (12) calendar months preceding such time of issuance (and in the event such obligation has not been outstanding for a full twelve (12) calendar months preceding such time of issuance, then such average interest rate determined on the basis of the period of time during which such obligation has been outstanding), or (iv) is associated with an interest rate exchange contract, then the interest rate on such obligation shall be deemed to be the effective interest rate for such obligation determined by reference to such interest rate exchange contract, or (v) is convertible from one interest rate mode to another, then the interest rate on such obligation shall be deemed to be the interest rate in effect as of such time of issuance. In addition, in calculating such prospective debt service, in the event that any of such obligations secured by or payable from net revenues of the Port Authority, including the new Versatile Structure Obligations, has (i) a term to maturity from such time of issuance of less than three (3) years or (ii) no stated periodic repayment schedule, there may at the Port Authority's option be substituted for the actual prospective debt service upon any of such obligations, the debt service which would be payable if such obligation was forthwith refunded by a series of Versatile Structure Obligations having the following characteristics: maturity — thirty (30) years from the time of issuance of the new Versatile Structure Obligations; interest — at the rate of interest determined in accordance with the provisions of the immediately preceding sentence and payable semiannually beginning six (6) months from such time of issuance; amortization —

## APPENDIX C

---

in such annual amounts as would be required to retire the principal amount of such obligation by the thirtieth anniversary of such time of issuance if such annual retirement were effected at par at each anniversary of such time of issuance and if the annual debt service thereon would be equal for all years thereafter until the thirtieth anniversary of such time of issuance.

Net revenues (as defined in the Consolidated Bond Resolution) for purposes of the above calculation may include in the case of fare and tolls increases adopted by the Port Authority which have not yet been put into effect or have not been in effect for a full year, the additional net revenues estimated by the Port Authority to be derived annually from such increases.

Additionally, net revenues (as defined in the Consolidated Bond Resolution) for purposes of the above calculation may also include, in the case of facilities (including additions or improvements to facilities) which have not been in operation, in each case during the entire period of the twelve (12) consecutive months selected for the purposes of such calculation (including facilities under construction as of such time of issuance of the new Versatile Structure Obligations or which are to be acquired, established or constructed by the Port Authority), the average annual net revenues which the Port Authority estimates will be derived from each of such facilities during the first thirty-six (36) months of operation thereof after such time of issuance; *provided, however*, that debt service on all additional obligations estimated to be issued to complete such facilities prior to the date any such facilities (including the addition or improvement thereto) become fully operational, is included in calculation of prospective debt service; and provided, further that the amount of any net revenues attributable to estimates described in this paragraph shall in no event exceed twenty-five percent (25%) of the net revenues of the Port Authority including any net revenues attributable to estimates of fare and tolls increases as aforesaid.

In the event that the new Versatile Structure Obligations are issued solely for the purpose of refunding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes), then no calculations shall be required. In the event that the new Versatile Structure Obligations are issued in part for purposes of refunding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes), then no calculations shall be required to include the principal amount of such new Versatile Structure Obligations allocated to refunding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes) or the prospective debt service associated therewith.

### **Commercial Paper Obligations**

On September 9, 1982, the Port Authority established an issue of special obligations now known as Port Authority Commercial Paper Obligations. The Port Authority's commercial paper program presently provides for Commercial Paper Obligations to be issued in three separate series known as Series A, Series B and Series C. Port Authority Commercial Paper Obligations are currently issued under the July 23, 2015 amendment and supplement, which authorizes their issuance through December 31, 2020.

Under the July 23, 2015 amendment and supplement, the total aggregate principal amount of all Port Authority Commercial Paper Obligations outstanding at any one time may not exceed \$750,000,000, with the total aggregate principal amount of each series that may be outstanding at any one time not to exceed \$250,000,000. Commercial Paper Obligations are issued pursuant to the Port Authority Commercial Paper Obligations Resolution.

Proceeds of Commercial Paper Obligations of each series are authorized to be allocated to capital projects in connection with certain facilities of the Port Authority and for purposes of refunding certain obligations of the Port Authority.

## APPENDIX C

---

The payment of the principal of and interest on Commercial Paper Obligations shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of Commercial Paper Obligations, deposited to the Consolidated Bond Reserve Fund, and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of Commercial Paper Obligations, “net revenues” are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution.

Payment of the principal of and interest on Commercial Paper Obligations is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. Commercial Paper Obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund.

### **Variable Rate Master Notes**

On July 14, 1988, the Port Authority established an issue of special obligations now known as Port Authority Variable Rate Master Notes. The Port Authority’s variable rate master notes program presently provides, as a result of the November 18, 1999 modification, for the issuance of Variable Rate Master Notes under agreements to be entered into with selected banks, trust companies and financial institutions, in an aggregate principal amount, at any one time outstanding not in excess of \$400,000,000. Each series of Variable Rate Master Notes is issued pursuant to the Port Authority Variable Rate Master Note Resolution. The principal amount of each series of Variable Rate Master Notes presently outstanding is subject to prepayment at the option of the Port Authority or upon demand of the holders of the notes of such series.

The payment of the principal of and interest on Variable Rate Master Notes shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of Variable Rate Master Notes, deposited to the Consolidated Bond Reserve Fund, and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of Variable Rate Master Notes, “net revenues” are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution.

Payment of the principal of and interest on Variable Rate Master Notes is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. Variable Rate Master Notes, and the interest thereon, are not secured by or payable from the General Reserve Fund.



## APPENDIX C

---

Proceeds of Variable Rate Master Notes are authorized, subject to allocation to some but not all of the following purposes, to be used (a) for purposes of, or with respect to the financing of, capital expenditures in connection with any one or more of the facilities of the Port Authority, provided, that subject to agreements with the holders of obligations of the Port Authority, all or any portion of the unspent proceeds of any note may be allocated to any purpose for which at the time of issuance of such note the Port Authority is authorized by law to issue its obligations, including for purposes of, or with respect to the financing of, capital expenditures in connection with facilities of the Port Authority certified or to be certified after issuance of such note, (b) for purposes of refunding, directly, by offers to exchange, or otherwise all or any part of any issue of bonds, notes or other obligations of the Port Authority, and (c) for incidental purposes, including certain costs of, and relating to, such Variable Rate Master Notes.

### **General and Refunding, Air Terminal and Marine Terminal Bonds**

At the time of the adoption of the Consolidated Bond Resolution in 1952, the Port Authority had outstanding certain General and Refunding, Air Terminal and Marine Terminal Bonds. The Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all such prior lien bonds.

By the Consolidated Bond Resolution, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued. It is the present intention of the Port Authority that Consolidated Bonds will be the only bonds secured by a pledge of the General Reserve Fund that will be used as a medium of financing the balance of its capital requirements or long-term refunding of outstanding Consolidated Bonds or of Consolidated Bonds hereafter issued.

### **Bank Loans**

The Port Authority has fully repaid, when due, as scheduled, all seven (7) bank loans totaling \$595,000,000 in aggregate principal amount, which had been obtained between 1968 and 1977, all of which were special limited obligations of the Port Authority.

### **Operating Equipment-Lease Financing Program**

The Port Authority has fully repaid all lease financing transactions which were entered into under this program under leases executed between 1985 and 1992, and presently intends not to execute any further transactions under this program.

### **New York State Commuter Railroad Car Program**

The Port Authority has fully repaid all New York State Guaranteed Commuter Car Bonds issued by the Port Authority under this program between 1962 and 1986. The New York State constitutional amendment providing for the State guarantee of these bonds required that all such bonds mature no later than December 31, 1996; and, in effect, the legislation authorizing this program precludes future issuance of Car Bonds.

**Resolution Establishing General Reserve Fund**

**(Adopted March 9, 1931, as amended May 5, 1932)**

WHEREAS, by Chapter 48 of the Laws of New York of 1931 and Chapter 5 of the Laws of New Jersey of 1931, The Port of New York Authority is directed to pool all surplus revenues, as defined in said statutes, received by it from certain terminal and/or transportation facilities, and to apply such surplus revenues to the establishment and maintenance of a general reserve fund in an amount equal to one-tenth (1/10th) of the par value of all outstanding bonds of the Port Authority, legal for investment, as defined and limited in said statutes, and

WHEREAS, by the aforesaid statutes, The Port of New York Authority is authorized to pledge the moneys in said general reserve fund as security for the repayment with interest of any moneys heretofore or hereafter raised by it upon its bonds, legal for investment, as defined and limited in said statutes, and to apply said moneys to the fulfillment of any other undertakings heretofore or hereafter assumed to or for the benefit of the holders of any such bonds,

Now, THEREFORE, after due consideration had, it is

RESOLVED, that the General Manager be and he hereby is authorized and directed to establish and maintain the general reserve fund prescribed by Chapter 48 of the Laws of New York of 1931 and Chapter 5 of the Laws of New Jersey of 1931, and to do so as promptly as may be practicable, and it is further

RESOLVED, that The Port of New York Authority hereby irrevocably pledges the said general reserve fund and all moneys which may be or become part thereof as security for the repayment with interest of moneys heretofore or hereafter raised by it upon bonds, legal for investment as defined and limited in said statutes, and as security for the fulfillment of any other undertakings heretofore or hereafter assumed by it to or for the benefit of the holders of such bonds, and it is further

RESOLVED, that the aforesaid pledge of the said general reserve fund and the moneys therein is made and shall be deemed to be made by The Port of New York Authority to induce investors and others to purchase its bonds, whether such bonds have heretofore been issued or shall be hereafter issued, and whether such bonds be purchased from The Port of New York Authority or from prior purchasers thereof, and it is further

RESOLVED, that the aforesaid pledge is made and shall be deemed to be subject to the right, which The Port of New York Authority hereby reserves to itself, to use the said general reserve fund or any part thereof, at any time, in its sole discretion, to meet, pay or otherwise fulfill any of its obligations under or in connection with the aforesaid bonds, or any of said bonds, including its obligations to pay interest and principal when due, and to make payments into sinking funds, and it is further

RESOLVED, that the said pledge is made and shall be deemed to be subject to the right, which The Port of New York Authority hereby reserves to itself, to pledge the said general reserve fund or any part thereof in its sole discretion, as security for the fulfillment of any obligations heretofore or hereafter assumed by it under or in connection with any other of its bonds whatsoever, by which is meant bonds other than those described, specified or mentioned in said Chapter 48 of the Laws of New York of 1931 and said Chapter 5 of the Laws of New Jersey of 1931 and to apply the said general reserve fund or any part thereof to the fulfillment of such obligations, the intent thereof being to reserve the right to use the said general reserve fund to support such other and additional bonds or types of bonds as the States of New York and New Jersey may hereafter determine or authorize, provided, that the right hereby reserved to pledge the said general reserve fund as security for such other bonds, not described, specified or mentioned in said statutes, and to

## APPENDIX C

---

apply the moneys therein to the fulfillment of obligations under or in connection with such bonds shall be exercised only if and to the extent that the said two States may hereafter authorize its exercise, and *provided, further*, that no greater rights in or to the said general reserve fund shall be granted to or conferred upon the holders of any other bonds of The Port of New York Authority than are hereby or are hereafter granted to or conferred upon holders of the bonds in support of which said general reserve fund is hereby pledged, and it is further

RESOLVED, that until otherwise directed by The Port of New York Authority, the moneys in said General Reserve Fund, shall be invested in such bonds, securities or other obligations of the States of New York and New Jersey, of New York and New Jersey municipalities, of the United States of America, and of The Port of New York Authority, as may be approved for investment by the Port Authority or a majority of the members of its Committee on Finance.

(NOTE: By resolution adopted September 22, 1932, it was provided that the resolution establishing the General Reserve Fund should be ineffective and inapplicable with respect to bonds or other obligations thereafter authorized or issued, unless thereafter especially made applicable to such new bonds or other obligations. By resolution adopted October 9, 1952, the foregoing resolution of March 9, 1931, as amended May 5, 1932, was further amended to conform to the provisions of Section 6 of the resolution of October 9, 1952 and the General Reserve Fund Resolution was made applicable to all Consolidated Bonds (see pp. IV-24 — IV-26)).

**Consolidated Bond Resolution**

**(Adopted October 9, 1952)**

WHEREAS, by Chapter 48 of the Laws of New York of 1931, as amended, and Chapter 5 of the Laws of New Jersey of 1931, as amended, The Port of New York Authority (hereinafter called the Authority) has been authorized and empowered to establish and maintain a certain General Reserve Fund, and to pledge said fund as security for certain of its bonds or other securities or obligations, and

WHEREAS, there are now outstanding several issues of bonds of the Authority, which although secured by said General Reserve Fund, nevertheless differ as to form, security, terms and conditions, and

WHEREAS, the Authority has determined to authorize and establish an issue of Consolidated Bonds, and to use such Bonds (and the proceeds derived from the sale thereof) from time to time for the purpose of refunding bonds heretofore or hereafter issued and to serve as a unified medium for financing for any and all purposes for which the Authority is or shall be authorized to issue bonds secured by a pledge of the General Reserve Fund, to the exclusion of bonds of prior issues,

Now, THEREFORE, after due consideration had, be it resolved by The Port of New York Authority:

**SECTION 1. Interpretation.**

As used in this resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended:

The term “additional facilities” shall mean facilities other than the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (also known as the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal, La Guardia Airport, New York International Airport, Newark Airport, Teterboro Airport, the Port Authority Grain Terminal, Port Newark and the Hoboken-Port Authority Piers.

The term “bond” shall include a bond, a note and any other evidence of indebtedness.

The terms “bonds of prior issues” and “prior issues of bonds” shall mean General and Refunding Bonds issued pursuant to the Authority’s Basic Resolution adopted March 18, 1935, as amended; Air Terminal Bonds issued pursuant to its Air Terminal Bond Resolution adopted June 18, 1948; Marine Terminal Bonds issued pursuant to its Marine Terminal Bond Resolution adopted November 23, 1948; General Reserve Fund Notes, Series X, issued pursuant to its resolution adopted November 8, 1951; General Reserve Fund Notes issued pursuant to its resolution adopted October 9, 1952; and Marine Terminal Notes issued pursuant to its resolution adopted August 14, 1952.

The term “Consolidated Bond Resolution” shall mean this resolution.

The term “Consolidated Bonds” shall mean bonds of the issue established by this resolution.

The term “debt reserve funds” shall mean the Consolidated Bond Reserve Fund established by Section 7 of this resolution, the General Reserve Fund and all other funds which the Authority is obligated to establish or maintain as security for or for the benefit of any of its bonds secured by a pledge of the General Reserve Fund, the moneys in which are available for the payment of debt service upon such bonds.

## APPENDIX C

---

The term “debt service,” as used with reference to bonds, shall mean the interest payable thereon and the amounts which the Authority is obligated by agreements with the holders of such bonds to pay or set aside for the amortization and/or retirement thereof.

The term “facility” shall mean one or more improvements, structures, projects, works, buildings or properties owned, leased or operated, or to be owned, leased or operated by the Authority, including such appliances, appurtenances and equipment as the Authority may deem necessary or desirable for the proper operation or maintenance thereof, except that the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal, La Guardia Airport, New York International Airport, Newark Airport, Teterboro Airport, the Port Authority Grain Terminal, Port Newark and the Hoboken-Port Authority Piers shall each be deemed to be a separate facility.

The term “General Reserve Fund” shall mean the General Reserve Fund of the Authority authorized by Chapter 5 of the Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, as amended; and said statutes are hereinafter called the “General Reserve Fund Statutes.”

The term “income from sources other than operation” shall include but not be limited to interest on investments, capital gains and any moneys collected by the Authority (or paid by others to meet its expenses, including debt service on its bonds, or to reimburse it for its payment of such expenses) pursuant to rights created or vested in the Authority by contract and/or statute.

The term “net operating revenues,” as used with reference to any facility or group of facilities, shall mean the amount remaining after deducting the following amounts from the gross operating revenues thereof:

- i. All expenses incurred for the operation, maintenance, repair and administration thereof (including renewals and replacements of and expenditures for equipment, and minor capital expenditures deemed necessary by the Authority for the proper and economical operation or maintenance thereof, and an appropriate allowance for depreciation of ancillary equipment, and debt service upon underlying mortgage bonds, and payments into reserves for operating or maintenance contingencies, all as computed in accordance with sound accounting practice), and
- ii. In the case of a facility under operation by the Authority, a proper proportion of the general expenses of the Authority;

without allowance for depreciation other than of ancillary equipment, and without including any income from sources other than operation; *provided, however*, that in computing the aggregate amount of the aforesaid expenses for the purpose of this definition, there shall be excluded the amount of any such expenses which are paid (or reimbursed to the Authority) out of income from sources other than operation in case such income is not included in the net revenues of such facility or group of facilities.

The term “net revenues,” as used with reference to any facility or group of facilities, shall mean the net operating revenues thereof, together with all net income pertaining thereto derived from sources other than operation which may be pledged or applied to the payment of debt service upon bonds issued for purposes in connection with such facility or group of facilities.

The term “outstanding,” as used with reference to bonds of the Authority, shall include bonds held in any capacity by the Authority (as well as those held by others), and shall include bonds which the Authority may be obligated to issue and sell pursuant to a contract for the purchase thereof by and the sale thereof to

## APPENDIX C

---

the other party to such contract, but shall not include any past due bonds not presented for payment or any bonds called for redemption but not presented for redemption if the moneys for such payment or redemption shall have been duly provided; provided, however, that in the event the Authority shall enter into a contract with the holders of any of its bonds (hereinafter in this definition called “convertible bonds”) to issue other bonds (hereinafter in this definition called “exchange bonds”) and to exchange such convertible bonds for such exchange bonds upon the happening of specified events, then the convertible bonds shall be deemed outstanding until but not beyond the time at which such events shall have happened, and the exchange bonds shall be deemed outstanding beginning with but not prior to such time.

The term “refunding,” as used with reference to bonds, shall mean the retirement and cancellation thereof, after their acquisition by the Authority (before, at or after maturity) either in exchange for other bonds or by payment, purchase or redemption with the proceeds of the sale of other bonds; and the term “refunded,” as used with reference to bonds, shall mean the refunding thereof accomplished.

The term “short-term bonds” shall mean bonds which mature no more than three years from their date and which do not form part of a series of bonds which includes bonds which mature more than three years from their date.

The term “surplus revenues,” as used with reference to any facility, shall mean the surplus revenues thereof as defined in the General Reserve Fund statutes.

The term “underlying mortgage bonds” in respect of a facility shall mean bonds secured by mortgage on or pledge of all or any part of the property constituting such facility.

### SECTION 2. **Establishment and Issuance.**

An issue of bonds of the Authority to be known as “Consolidated Bonds” is hereby authorized and established. The bonds of said issue shall be direct and general obligations of the Authority and the full faith and credit of the Authority are hereby pledged for the prompt payment of the debt service thereon and for the fulfillment of all other undertakings of the Authority assumed by it to or for the benefit of the holders thereof. This resolution shall constitute a contract with the holders of such bonds.

Said Consolidated Bonds shall be issued only for purposes for which at the time of issuance the Authority is authorized by law to issue bonds secured by a pledge of the General Reserve Fund and only in such amounts as are permitted by Section 3 of this resolution. Said Consolidated Bonds shall be secured by revenues of the facilities of the Authority in the manner and to the extent provided in Sections 4 and 5 of this resolution and by the General Reserve Fund of the Authority in the manner and to the extent provided in Section 6 of this resolution and by the Consolidated Bond Reserve Fund in the manner and to the extent provided in Section 7 of this resolution.

Said Consolidated Bonds may be issued from time to time in such series as the Authority may hereafter determine. The bonds of each series may be issued in one or more installments as the Authority may hereafter determine.

All Consolidated Bonds constituting a particular series shall be uniform in respect of (a) dates of payment of interest, (b) place or places of payment of principal and interest, (c) medium of payment, (d) whether issuable as coupon bonds, or as registered bonds without coupons, or both, (e) provisions, if any, in respect of their exchangeability for bonds of different denominations, and of the interchangeability of coupon bonds and registered bonds without coupons, and (f) provisions, if any, for redemption and the terms and conditions thereof, *provided, however*, that bonds constituting a particular series may be made redeemable either in the direct or the inverse order of their maturities if such bonds have differing dates of

## APPENDIX C

---

maturity or by lot. All bonds constituting the whole or a part of a particular series and maturing on the same date shall be uniform in respect of interest rate or rates. All bonds of a series consisting only of bonds having the same date of maturity shall be uniform in respect of provisions, if any, in respect of amortization and retirement of bonds of such series.

Any resolution establishing a series or authorizing the issue of an installment of bonds of a series may contain terms and provisions not inconsistent with this resolution.

### SECTION 3. **Limitations on Amount.**

The Authority shall not issue new Consolidated Bonds at any time unless one or another of the following four conditions shall exist, either (Condition 1) Unless the new Consolidated Bonds are to be issued (a) for the acquisition, rehabilitation or improvement of an additional facility or group of additional facilities which is or are in operation at the time of issuance of such bonds and/or (b) for the purpose of refunding bonds which constitute or are secured by a lien or charge upon the revenues of such additional facility or group of additional facilities and/or which constitute underlying mortgage bonds in respect of such additional facility or group of additional facilities; and unless the net revenues (computed as hereinafter set forth in this Section 3) derived from such additional facility or group of additional facilities during any period of twelve consecutive months selected by the Authority out of the thirty-six months next preceding such time of issuance shall have amounted to at least one and three-tenths times the prospective debt service (computed on the assumptions hereinafter set forth in this Section 3) for the calendar year after such time of issuance for which the combined debt service (so computed) upon the following bonds would be at a maximum, to wit:

i. The new Consolidated Bonds, and

ii. All Consolidated Bonds outstanding at such time of issuance which shall have been issued for purposes in connection with such additional facility or group of additional facilities not including, however, any bonds which the resolution authorizing the issuance of the new Consolidated Bonds shall specifically designate are to be refunded by the new Consolidated Bonds, *provided, however*, that if any of the bonds otherwise included under this subdivision ii shall have been issued for several purposes including but not restricted to purposes in connection with such additional facility or group of additional facilities (hereinafter in this paragraph called “multi-purpose bonds”), then only such proportion of such multi-purpose bonds shall be included under this subdivision ii in computing the aforesaid maximum prospective debt service as is equal to the ratio between (a) the principal amount of those multi-purpose bonds the proceeds of which the Authority shall determine have been expended for purposes in connection with the additional facility or group of additional facilities, plus those the proceeds of which the Authority shall estimate will be expended for purposes in connection with the additional facility or group of additional facilities and (b) the principal amount of all of such multi-purpose bonds;

or, in the alternate,

(Condition 2) Unless at the time of issuance of such new Consolidated Bonds the sum of the net revenues specified in the following subdivisions, i, ii, iii and iv (computed as hereinafter set forth in this Section 3) of all facilities upon the net revenues of which all Consolidated Bonds shall constitute a first lien and charge after the fulfillment of the purposes for which the new Consolidated Bonds are to be issued, to wit:

i. In the case of facilities which have been in operation during the entire period of thirty-six months next preceding such time of issuance, — the combined net revenues derived from all such facilities

## APPENDIX C

---

during any period of twelve consecutive months selected by the Authority out of the thirty-six months next preceding such time of issuance, plus

ii. In the case of facilities which have been in operation during the entire period of twelve months but not during the entire period of thirty-six months next preceding such time of issuance, — the net revenues derived from each such facility during any period of twelve consecutive months (which need not necessarily be the same for each such facility) selected by the Authority out of such period of operation, plus

iii. In the case of facilities which have not been in operation during the entire period of twelve months next preceding such time of issuance (including facilities under construction at such time or which are to be acquired, established or constructed with the proceeds of the sale of the new Consolidated Bonds), — the average annual net revenues which the Authority estimates will be derived from each of such facilities during the first thirty-six months after such time of issuance, but if in the opinion of the Authority any such facility will not be placed in operation until after such time of issuance, then as to each such facility, the average annual net revenues which the Authority estimates will be derived during the first thirty-six months of operation thereof after such time of issuance; *provided, however*, that no revenues estimated under this subdivision iii shall be included in the sum of all net revenues computed under this Condition 2 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds, and *provided*, further, that the amounts of any revenues estimated under this subdivision iii plus the amounts of any revenues estimated under the next following subdivision iv shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 2, plus

iv. In the case of each capital improvement to any of such facilities if such capital improvement is either under construction at such time of issuance or has been completed less than twelve months prior to such time or, in case it has not yet been commenced, if the Authority has either issued bonds or has entered into a contract for the issuance of bonds or has authorized the issuance of the new Consolidated Bonds for the financing of all or part of such capital improvement, — the average annual amount which the Authority estimates that the net revenues of the facility to which such improvement appertains will be increased during the first thirty-six months after the completion of such improvement, over and above the amount of net revenues included for such facility in the foregoing subdivisions i, ii or iii of this Condition 2; *provided, however*, that no revenues estimated under this subdivision iv shall be included in the sum of all net revenues computed under this Condition 2 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds; and *provided*, further, that the amounts of any revenues estimated under this subdivision iv plus the amounts of any revenues estimated under the next preceding subdivision iii shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 2, shall have amounted to at least one and three-tenths times the prospective debt service (computed on the assumptions hereinafter set forth in this Section 3) for the calendar year after such time of issuance for which the combined debt service (so computed) upon the following bonds would be at a maximum, to wit:

i. The new Consolidated Bonds,

ii. All Consolidated Bonds outstanding at such time of issuance not including, however, any bonds which the resolution authorizing the issuance of the new Consolidated Bonds shall specifically designate are to be refunded by the new Consolidated Bonds, and



## APPENDIX C

---

iii. Additional Consolidated Bonds having annual debt service in amounts estimated by the Authority, if estimated revenues and/or estimated revenue increases in connection with any facility or capital improvement have been included under the next preceding subdivisions iii and/or iv in the computation of the sum of the net revenues under this Condition 2 in connection with the particular new Consolidated Bonds to be issued and if the Authority is of the opinion at the time of issuance of such new Consolidated Bonds that such additional Consolidated Bonds will be issued in connection with such facility or improvement and will be outstanding during the thirty-six months for which the revenues and/or revenue increases have been estimated under said subdivisions iii and/or iv;

or, in the alternate,

(Condition 3) Unless at the time of issuance of such new Consolidated Bonds the sum of the net revenues specified in the following subdivisions i, ii, iii and iv (computed as hereinafter set forth in this Section 3) in the case of all facilities the surplus revenues of which shall be payable into the General Reserve Fund after the fulfillment of the purposes for which the new Consolidated Bonds are to be issued, to wit:

i. In the case of facilities which have been in operation during the entire period of thirty-six months next preceding such time of issuance, — the combined net revenues derived from all such facilities during any period of twelve consecutive months selected by the Authority out of the thirty-six months next preceding such time of issuance, plus

ii. In the case of facilities which have been in operation during the entire period of twelve months but not during the entire period of thirty-six months next preceding such time of issuance, — the net revenues derived from each such facility during any period of twelve consecutive months (which need not necessarily be the same for each such facility) selected by the Authority out of such period of operation, plus

iii. In the case of facilities which have not been in operation during the entire period of twelve months next preceding such time of issuance (including facilities under construction at such time or which are to be acquired, established or constructed with the proceeds of the sale of the new Consolidated Bonds), — the average annual net revenues which the Authority estimates will be derived from each of such facilities during the first thirty-six months after such time of issuance, but if in the opinion of the Authority any such facility will not be placed in operation until after such time of issuance, then as to each such facility, the average annual net revenues which the Authority estimates will be derived during the first thirty-six months of operation thereof after such time of issuance; *provided, however*, that no revenues estimated under this subdivision iii shall be included in the sum of all net revenues computed under this Condition 3 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds; and *provided, further*, that the amounts of any revenues estimated under this subdivision iii plus the amounts of any revenues estimated under the next following subdivision iv shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 3, plus

iv. In the case of each capital improvement to any of such facilities if such capital improvement is either under construction at such time of issuance or has been completed less than twelve months prior to such time or, in case it has not yet been commenced, if the Authority has either issued bonds or has entered into a contract for the issuance of bonds or has authorized the issuance of the new Consolidated Bonds for the financing of all or part of such capital improvement, — the average annual amount which the Authority estimates that the net revenues of the facility to which such improvement appertains will

## APPENDIX C

---

be increased during the first thirty-six months after the completion of such improvement, over and above the amount of net revenues included for such facility in the foregoing subdivisions i, ii or iii of this Condition 3; *provided, however*, that no revenues estimated under this subdivision iv shall be included in the sum of all net revenues computed under this Condition 3 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds; and *provided*, further, that the amount of any revenues estimated under this subdivision iv plus the amounts of any revenues estimated under the next preceding subdivision iii shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 3,

shall have amounted to at least one and three-tenths times the prospective debt service (computed on the assumptions hereinafter set forth in this Section 3) for the calendar year after such time of issuance for which the combined debt service (so computed) upon the following bonds would be at a maximum, to wit:

i. The new Consolidated Bonds,

ii. All bonds outstanding at such time of issuance which are secured by a pledge of the General Reserve Fund, not including, however, any bonds which the resolution authorizing the issuance of the new Consolidated Bonds shall specifically designate are to be refunded by the new Consolidated Bonds, and

iii. Additional bonds secured by a pledge of the General Reserve Fund and having annual debt service in amounts estimated by the Authority, if estimated revenues and/or estimated revenue increases in connection with any facility or capital improvement have been included under the next preceding subdivisions iii and/or iv in the computation of the sum of the net revenues under this Condition 3 in connection with the particular new Consolidated Bonds to be issued and if the Authority is of the opinion at the time of issuance of such new Consolidated Bonds that such additional bonds will be issued in connection with such facility or improvement and will be outstanding during the thirty-six months for which the revenues and/or revenue increases have been estimated under said subdivisions iii and/or iv;

or, in the alternate,

(Condition 4) Unless such new Consolidated Bonds are to be issued for the purpose of refunding other Consolidated Bonds and/or bonds of prior issues.

The time of issuance of new Consolidated Bonds, as used in this Section 3, shall mean the time at which such bonds are delivered upon original issue to the initial purchaser thereof, *provided, however*, that if a contract is entered into by the Authority, prior to the delivery of such bonds, for their sale to and purchase by the other party to such contract upon original issue, in such event the time of issuance of such bonds, as used in this Section 3, shall mean the time at which such contract is entered into; and *provided*, further, that in the event the Authority is required by statute or contract to exchange any bonds for the new Consolidated Bonds upon the happening of specified events, then the time of issuance of the new Consolidated Bonds so to be exchanged, as used in this Section 3, shall mean the time at which such events shall have happened. The exchanges designated in the next preceding proviso clause shall not include exchanges of interim certificates or temporary bonds for definitive bonds evidencing the same debt and shall not include exchanges of bonds for bonds of other denominations evidencing the same debt. Nothing herein contained shall be construed to limit the right of the Authority to issue and deliver Consolidated Bonds at any time if any one of the above four numbered conditions in this Section 3 exists at the time of

## APPENDIX C

---

issuance as above defined notwithstanding that none of such conditions may exist at the time of delivery of such bonds if such time of delivery is subsequent to such time of issuance.

Whenever, in connection with the issuance of any new Consolidated Bonds, it is necessary for the purposes of this Section 3 to compute or estimate the amount of the net revenues of any facility or group of facilities, such net revenues shall be computed or estimated

(a) without deducting from the gross operating revenues any taxes, assessments or other governmental charges, or any other charges, which may have been paid in connection with such facility or group of facilities prior to their acquisition by the Authority, but which, in the opinion of the Authority or its General Counsel, the Authority would not have been required to pay had it been the owner or operator of such facility or facilities during the time for which such charges were levied or made;

(b) without deducting from gross operating revenues debt service upon underlying mortgage bonds which are to be refunded by the new Consolidated Bonds, and in the case of other underlying mortgage bonds without deducting the actual debt service thereon, but with the deduction (in substitution for such actual debt service) of the debt service (whether it be more or less than such actual debt service) which would have been payable or which would be payable upon such underlying mortgage bonds if they had the following characteristics: date — the first day of the period for which the computation or estimate of net revenues is to be made; maturity — thirty years from the assumed date; interest — at the same rate as borne by such underlying mortgage bonds and payable semi-annually beginning six months from their assumed date; amortization — in such annual amounts as would be required to retire the principal amount of the underlying mortgage bonds outstanding at the time of issuance of the new Consolidated Bonds or, in the case of estimated net revenues, to retire the maximum principal amount of the underlying mortgage bonds to be outstanding during the period for which the estimate of net revenues is to be made, by the thirtieth anniversary of such assumed date if such annual retirement were effected at par at each anniversary of such assumed date and if the annual debt service thereon would be equal for all years thereafter until such thirtieth anniversary; and

(c) without including in net income from sources other than operation any moneys collected or to be collected by the Authority (or paid or to be paid by others to meet its expenses or to reimburse it for its payment of such expenses) pursuant to rights created or vested in the Authority by contract and/or statute in excess of the average annual amount prescribed by such contract and/or statute to be so collected or paid during the fifteen years next succeeding the time of issuance of said new Consolidated Bonds in case such contract and/or statute prescribes a limitation on the annual amounts so to be collected or paid; but in case such contract and/or statute prescribes such a limitation in terms of percentages of annual deficits or expenses or valuations or other quantities, then said net revenues shall be computed or estimated without including in net income from sources other than operation any such moneys so collected or paid or to be collected or paid in excess of the sum derived by multiplying the average of the annual limiting percentages during such fifteen years by the amount of such deficits, expenses, valuations or other quantities during the twelve months for which such computation is to be made (or by the average annual amount of such quantities estimated for the thirty-six months for which such estimate is to be made).

In computing the aforesaid maximum prospective debt service upon any short-term bonds under any of the above Conditions 1, 2 or 3 of this Section 3, there may at the Authority's option be substituted for the actual prospective debt service upon such short-term bonds the debt service which would be payable if such short-term bonds were forthwith refunded by bonds having the following characteristics: maturity — thirty years from the time of issuance of the aforesaid new Consolidated Bonds; interest — at one and one-half times the rate upon such short-term bonds and payable semi-annually beginning six months from such time of issuance; amortization — in such annual amounts as would be required to retire the principal amount of the short-term bonds outstanding at such time of issuance (or, in the case of the new Consolidated Bonds

if they are short-term bonds, the principal amount thereof to be issued) by the thirtieth anniversary of such time of issuance if such annual retirement were effected at par at each anniversary of such time of issuance and if the annual debt service thereon would be equal for all years thereafter until such thirtieth anniversary; *provided, however*, that if the new Consolidated Bonds are short-term bonds such substitution for their actual debt service shall not be made with respect to such portion thereof (designated by the Authority) the principal amount of which when added to the principal amount of all short-term bonds outstanding at the time of issuance of the new Consolidated Bonds and secured by a pledge of the General Reserve Fund (including any remaining portion of the new Consolidated Bonds but not including bonds to be refunded by the new Consolidated Bonds) shall result in an aggregate principal amount exceeding five per centum of the principal amount of all bonds outstanding at such time which are secured by a pledge of the General Reserve Fund (including all the new Consolidated Bonds and all other short-term bonds of the Authority so secured but not including any bonds to be refunded by the new Consolidated Bonds).

Prospective debt service upon any bonds shall be computed for the purpose of determining the calendar year for which such debt service will be at a maximum and the amount of such debt service for such year, within the meaning of this Section 3, upon the assumptions that the principal amount of such bonds will not be paid prior to maturity except in fulfillment of contractual obligations by the Authority to the holders thereof for the redemption thereof prior to maturity, and that in those cases such redemption will be effected at the latest date permitted by such agreement.

**SECTION 4. Pledge of Revenues.**

The payment of the debt service upon all Consolidated Bonds, regardless of the series or installment of which they form a part, and regardless of the dates of their issuance or maturity or the purposes for which issued, shall be secured equally and ratably by the net revenues of the Authority from each of the following:

- i. The Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (also known as the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal, La Guardia Airport, New York International Airport, Newark Airport, Teterboro Airport, the Port Authority Grain Terminal, Port Newark and the Hoboken-Port Authority Piers, and
- ii. Any additional facilities, the establishment, acquisition, effectuation, construction, rehabilitation or improvement of which is financed or refinanced in whole or in part by the issuance of Consolidated Bonds;

and, except as otherwise provided herein, the net revenues of each of said facilities are hereby irrevocably pledged to the payment of the debt service upon all Consolidated Bonds as the same may fall due, and shall be applied as provided in Section 5 hereof, and all Consolidated Bonds shall constitute a lien and charge thereon.

The foregoing pledge and lien are, however, subject to and shall be subordinate to (but only to) the following prior pledges and liens:

- (a) In the case of the revenues of the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal and the Port Authority Grain Terminal, — to pledges heretofore made and liens heretofore created in favor of the aforesaid General and Refunding Bonds;

## APPENDIX C

---

(b) In the case of the revenues of La Guardia Airport, New York International Airport, Newark Airport and Teterboro Airport, — to pledges heretofore made and liens heretofore created in favor of the aforesaid Air Terminal Bonds;

(c) In the case of the revenues of Port Newark, — to pledges heretofore made and liens heretofore created in favor of the aforesaid Marine Terminal Bonds.

Consolidated Bonds shall not be issued for any purpose in connection with any facility unless after the accomplishment of such purpose the debt service upon all Consolidated Bonds shall constitute a first lien and charge upon the net revenues of the Authority from such facility subject, however, to (but only to) the prior liens recited in the preceding paragraph.

### SECTION 5. Application of Revenues.

Subject to the prior pledges and liens described in Section 4 of this resolution, all net revenues pledged as security for Consolidated Bonds shall be applied to the following purposes in the following order:

(a) To the payment of debt service upon all Consolidated Bonds;

(b) All remaining balances of net revenues pledged as security for Consolidated Bonds shall be paid into the Consolidated Bond Reserve Fund established by Section 7 of this resolution, except such amounts as may be necessary to maintain the General Reserve Fund in the amount prescribed by the General Reserve Fund statutes.

The pledge of net revenues made in Section 4 of this resolution (and the lien and charge of Consolidated Bonds upon such net revenues) shall be subject to the right of the Authority to make payments into the General Reserve Fund to the extent above provided in this Section 5, and to that extent only.

### SECTION 6. General Reserve Fund.

The payment of the debt service upon all Consolidated Bonds, regardless of the series or installment of which they form a part, and regardless of the dates of their issuance or maturity or the purposes for which issued, shall be further secured equally and ratably by the General Reserve Fund; and the pledge thereof and of the moneys which may be or become part thereof, contained in the resolution of the Authority, adopted March 9, 1931, establishing said General Reserve Fund, as amended May 5, 1932, is hereby expressly extended to and made applicable to (and for such purpose the General Reserve Fund is hereby irrevocably pledged as security for) all Consolidated Bonds for the benefit of the holders thereof, in the manner and to the extent set forth in the aforesaid resolution of March 9, 1931, as amended May 5, 1932, *pari passu* with bonds heretofore issued by the Authority and with the holders of such bonds; *provided*, that nothing herein shall be construed to grant or confer greater rights in or to said General Reserve Fund upon the holders of Consolidated Bonds than are now granted or conferred upon the holders of the bonds of prior issues.

The foregoing pledge is subject to (but only to) the following separate rights which the Authority hereby reserves to itself:

(a) The right to pledge said General Reserve Fund as security for any bonds whatsoever hereafter issued by the Authority as security for which it may at the time be authorized by law to pledge the General Reserve Fund; and

## APPENDIX C

---

(b) The right to use the moneys in said General Reserve Fund to meet, pay or otherwise fulfill any of the undertakings which it has assumed, does now assume by this resolution or shall hereafter assume to or for the benefit of the holders of any bonds as security for which said General Reserve Fund has heretofore been or is now pledged, or for which said General Reserve Fund may hereafter be pledged as above provided;

*provided*, that no greater rights in or to the General Reserve Fund shall hereafter be granted to or conferred upon the holders of any bonds now outstanding or any bonds hereafter issued than are granted to and conferred upon the holders of all Consolidated Bonds.

Except as provided in the next sentence of this paragraph, the moneys in the General Reserve Fund shall not be used for any purpose at any time if there are any other moneys of the Authority available for that purpose at such time, and shall not be used for the payment of debt service prior to the time when the interest, sinking fund payments, redemption prices, principal amounts and other items constituting such debt service shall be required to be paid or set aside by the Authority; and the moneys in said General Reserve Fund shall be deposited in such depositories as the Authority may designate or invested in obligations of or guaranteed by the United States. If, however, there shall at any time be in or available for payment into all debt reserve funds of the Authority an aggregate amount of moneys in excess of an amount equal to two years' debt service upon all those bonds of the Authority which are secured by a pledge of the General Reserve Fund and which are outstanding at that time, to the extent that such moneys in or available for payment into such debt reserve funds will be available to pay debt service upon such bonds during the ensuing twenty-four calendar months, then and in any such event such excess moneys may be used at such time for any purpose for which said moneys may be used under the General Reserve Fund statutes, whether or not there are other moneys available for that purpose; and such excess moneys may be deposited in such depositories as the Authority may designate or invested in bonds, notes or other obligations of or guaranteed by the United States, the State of New York or the State of New Jersey, and any bonds of the Authority theretofore actually issued and negotiated and secured by a pledge of the General Reserve Fund. Two years' debt service, when used in this paragraph with respect to bonds outstanding at any time shall mean the amounts which the Authority is obligated by contract with the holders of such bonds to pay as debt service upon such bonds during the ensuing twenty-four calendar months; *provided, however*, that in computing such two years' debt service on any such outstanding bonds which are short-term bonds there shall be substituted for the actual debt service on such short-term bonds during said ensuing twenty-four calendar months the debt service which would be payable during said twenty-four calendar months if such short-term bonds were forthwith refunded by bonds having the following characteristics: maturity — thirty years from such time; interest — at the same rate as upon the short-term bonds and payable semi-annually beginning six months from such time; amortization — in such annual amounts as would be required to retire the principal amount of the short-term bonds outstanding at such time by the thirtieth anniversary of such time if such annual retirement were effected at par at each anniversary of such time and if the annual debt service thereon would be equal for all years thereafter until such thirtieth anniversary.

The resolution of the Authority, adopted March 9, 1931, establishing said General Reserve Fund, as amended May 5, 1932, is hereby further amended to conform to the provisions of this Section 6; *provided, however*, that nothing contained in this Section 6 shall be construed to limit, curtail or impair any pledge of the General Reserve Fund or regarding its administration, investment and use made in favor of or for the benefit of the holders of any bonds of prior issues or to prevent the Authority from doing any act or thing required to be done in the fulfillment of any such pledge.

### SECTION 7. **Consolidated Bond Reserve Fund.**

There is hereby established a special fund (herein called the Consolidated Bond Reserve Fund) the moneys in which are hereby pledged as additional security for all Consolidated Bonds, into which shall be

## APPENDIX C

---

paid all balances of net revenues pledged as security for Consolidated Bonds, remaining after deducting the amounts for which provision is made in subdivisions (a) and (b) of Section 5 of this resolution. The moneys in the Consolidated Bond Reserve Fund shall be accumulated or in the discretion of the Authority shall be applied to any of the following purposes and to such purposes only:

(a) To the payment of Consolidated Bonds at maturity, but in case a sinking fund has been established for the retirement of bonds of the series of which such bonds form a part only if the available moneys in such sinking fund are insufficient for such purpose, and in the case of other Consolidated Bonds, only if the net revenues pledged as security for Consolidated Bonds for the calendar year in which such payment shall be due and which are available for such payment are insufficient for such purpose.

(b) To the payment of debt service upon Consolidated Bonds then outstanding (other than the payment of such bonds at maturity), but only if the net revenues pledged as security for Consolidated Bonds for the calendar year in which such payment shall be due and which are available for such payment are insufficient for such purpose.

(c) To the purchase for retirement of Consolidated Bonds of any series as determined by the Authority at such prices as the Authority may determine to be reasonable; *provided, however*, that in case all of the bonds of such series are subject to redemption six months or less from the date on which the bonds are to be purchased for retirement, then such prices shall not exceed the highest price at which all of the bonds of such series might be redeemed at or prior to the expiration of said six months. Such purchases may be made at the discretion of the Authority, at public or private sale, with or without advertisement and with or without notice to other holders of Consolidated Bonds, and bonds theretofore issued and negotiated and then held by the Authority for investment may be purchased, as well as bonds held by others. In ascertaining whether the purchase price of any bond comes within the maximum above specified, brokerage commissions and similar items shall not be taken into consideration. The bonds so purchased shall be forthwith cancelled.

(d) To the redemption of Consolidated Bonds of any one or more series as may be determined by the Authority, if such bonds are subject to redemption. The bonds so redeemed shall be forthwith cancelled.

(e) To the payment of expenses incurred for the operation, maintenance, repair and administration of any facility the net revenues of which are pledged as security for Consolidated Bonds (including the expenses specified in the definition of net operating revenues in Section 1 of this resolution), but only to the extent that the gross operating revenues of such facility for the calendar year in which such payment shall be due, are insufficient or unavailable for such purpose.

(f) To the payment of debt service upon bonds other than Consolidated Bonds which are described in the last paragraph of this Section 7.

(g) To any other or additional purposes for which the Authority is now or may hereafter be authorized by law to expend the revenues of its facilities.

The pledge hereinbefore made of net revenues as security for Consolidated Bonds (and the lien and charge of Consolidated Bonds thereon) shall be subject to the right of the Authority to make payments into the Consolidated Bond Reserve Fund to the extent above provided in this Section 7, and said pledge and the aforesaid pledge of the moneys in the Consolidated Bond Reserve Fund shall be subject to the right of the Authority to apply said moneys as above provided in this Section 7 and to issue bonds other than Consolidated Bonds which are secured by a pledge of or lien or charge upon the

## APPENDIX C

---

Consolidated Bond Reserve Fund which is prior or equal to the pledge, lien and charge in favor of Consolidated Bonds, but only if such other bonds are issued solely to fulfill obligations undertaken by the Authority to or for the benefit of the holders of Consolidated Bonds and if such other bonds are also secured by a pledge of the General Reserve Fund.

### SECTION 8. Amortization and Retirement.

The resolution establishing each series of Consolidated Bonds which includes bonds which at the time of their issuance are issuable only under Condition 4 of Section 3 of this resolution, shall provide, and resolutions establishing other series of Consolidated Bonds may provide, a schedule of mandatory periodic retirement of bonds of such series. Such schedule shall specify the total principal amount of bonds of such series which shall be retired at any time before or during each calendar year, and on or before a stated date during such calendar year, beginning, in the case of series which include bonds issuable as aforesaid only under said Condition 4, not later than the first calendar year following the calendar year in which occurs the tenth anniversary of the date of bonds of such series, and beginning, in the case of other series, at any time prior to maturity designated by the Authority in the resolution establishing such series.

The Authority's obligation to retire bonds as aforesaid in the principal amount specified in any such schedule on or before the stated date during each calendar year shall be separate and distinct from and in addition to its obligation to retire bonds in the total principal amounts specified in such schedule on or before the stated dates during other calendar years. Any resolution establishing a series which provides such a schedule of retirement shall either prescribe that such retirement shall be accomplished by periodic serial maturities specified therein or it shall provide that such retirement may be accomplished in the discretion of the Authority by either or both of the following methods, to wit: by the redemption of bonds in the manner, upon the notice and at the prices set forth in said resolutions, or by the purchase of bonds at such prices as the Authority may deem reasonable and proper (which said prices may, in the discretion of the Authority, be specified in such resolution), which said purchases may in the discretion of the Authority be made at public or private sale, with or without advertisement and with or without notice to any person other than the seller, and bonds theretofore issued and negotiated and then held by the Authority may be purchased as well as bonds held by others.

The said schedule of retirement provided with respect to any series which includes bonds issuable as aforesaid only under said Condition 4 shall specify mandatory periodic retirements of bonds of such series as aforesaid at such times and in such amounts that the prospective debt service upon bonds of such series (computed with the substitutions and upon the assumptions provided in the last two paragraphs of Section 3 of this resolution) shall be such that either (a) the debt service, so computed, upon bonds of such series for any one calendar year shall not be more than 10% greater than the debt service so computed upon bonds of such series for any other calendar year beginning with the first calendar year on account of which said schedule of retirement shall specify any principal amount of bonds of such series to be retired and ending with the calendar year in which shall occur the latest maturity date of bonds of such series, or (b) the combined debt service, so computed, upon all Consolidated Bonds outstanding at the time such series is established (not including, however, any bonds to be refunded by the bonds of such series) and upon the bonds of such series themselves for any one calendar year shall not be more than 10% greater than the debt service, so computed, upon all such bonds for any other calendar year beginning with the first calendar year on account of which said schedule of retirement shall specify any principal amount of bonds of such series to be retired and ending with the calendar year in which shall occur the latest maturity date of bonds of such series, or (c) the combined debt service, so computed, on all bonds outstanding at the time such series is established which are secured by a pledge of the General Reserve Fund (not including, however, any bonds to be refunded by the bonds of such series) and upon the bonds of such series themselves for any one calendar year shall not be more than 10% greater than the debt service, so computed, on all such bonds for any other calendar year beginning with the first calendar year on account of which said schedule of



## APPENDIX C

---

retirement shall specify any principal amount of bonds of such series to be retired and ending with the calendar year in which shall occur the latest maturity date of bonds of such series.

With respect to series of Consolidated Bonds other than those which include bonds issuable as aforesaid only under said Condition 4, the Authority in its discretion may or may not provide for amortization and retirement before maturity, and if it does so provide, it may in its discretion select a sinking fund of any type or any other method to effect such amortization and retirement; but nothing herein contained shall in any way be deemed to eliminate the requirement that one or another of the four numbered conditions in Section 3 must exist in connection with any new Consolidated Bonds to be issued.

### SECTION 9. **Form and Execution.**

Consolidated Bonds may be issued in such form (not inconsistent with this resolution) and executed in such manner as the Authority may determine.

Pending the execution and delivery of definitive bonds there may be executed and delivered (to the purchaser or purchasers of any Consolidated Bonds) interim receipts or temporary bonds in such form as the Authority may prescribe, which shall be exchangeable for definitive bonds in accordance with their terms. Until such interim receipts or temporary bonds are so exchanged, the rights of the holders thereof shall be the same as though they held the definitive bonds for which they are exchangeable.

### SECTION 10. **Investments.**

The moneys in the Consolidated Bond Reserve Fund shall from time to time be deposited in such depositories as the Authority may designate or invested in bonds, notes or other obligations of (or fully guaranteed by) the United States, the State of New York or the State of New Jersey, and in bonds of the Authority itself, theretofore actually issued and negotiated, if secured by a pledge of the General Reserve Fund (including Consolidated Bonds).

The moneys derived from the sale of Consolidated Bonds shall from time to time be deposited in such depositories as the Authority may designate or invested in obligations of (or fully guaranteed by) the United States, *provided*, that such obligations shall mature not later than the date upon which the Authority intends to apply the proceeds so invested for the purpose for which such Consolidated Bonds were issued.

The moneys in each of the several sinking funds which may be established for the retirement of bonds of the various series of Consolidated Bonds, shall be deposited in such depositories as the Authority may designate or invested only in direct obligations of the United States, *provided*, that such obligations shall mature (or shall be redeemable at the option of the holder) at least five days prior to any date upon which such moneys must be applied to the retirement of Consolidated Bonds as provided in the resolutions establishing such series.

The net revenues pledged as security for Consolidated Bonds shall be deposited in such depositories as the Authority may designate or invested as provided in the next preceding paragraph for sinking fund moneys, *provided*, that any excess over debt service on all bonds secured by a pledge of such revenues for the year during which such revenues are derived may be invested as provided for Consolidated Bond Reserve Fund moneys.

Except as otherwise provided in Section 16 of this resolution, Consolidated Bonds held by the Authority shall have the same rights as though purchased or held by others.

SECTION 11. **Sinking Funds and Special Reserve Funds of Bonds of Prior Issues.**

Upon the cancellation, at or prior to maturity, of all of the then outstanding bonds of any particular series of any prior issue of bonds, any remaining balances of any sinking fund established for such particular series shall be paid into the Consolidated Bond Reserve Fund subject to the pledge thereof in favor of the holders of Consolidated Bonds, to be accumulated or applied as provided in Section 7 hereof. Upon the cancellation, at or prior to maturity, of all of the then outstanding bonds of each of the prior issues of bonds, any remaining balances of any special reserve fund established for the benefit of the bonds of such particular prior issue of bonds shall be paid into the Consolidated Bond Reserve Fund subject to the pledge thereof in favor of the holders of Consolidated Bonds, to be accumulated or applied as provided in Section 7 hereof.

SECTION 12. **Miscellaneous Covenants.**

The Authority covenants and agrees with the holders of Consolidated Bonds, and with each such holder, as follows:

(a) Fully and faithfully to perform all duties required by the Constitutions and Statutes of the United States and of the States of New York and New Jersey, and by the Compact of April 30, 1921, between said two States, with reference to all facilities the net revenues of which are pledged as security for Consolidated Bonds, — those hereafter established, constructed or acquired by it, as well as those presently owned, leased or operated by it.

(b) Not to issue any more General and Refunding Bonds of the issue established March 18, 1935, Air Terminal Bonds of the issue established June 18, 1948 or Marine Terminal Bonds of the issue established November 23, 1948 in addition to the bonds of those issues outstanding at the adoption of this resolution. This covenant and agreement shall not only be with and for the benefit of holders of Consolidated Bonds but shall also be with and for the benefit of holders of outstanding bonds of prior issues and shall not be subject to modification except in accordance with the provisions of the resolutions establishing such prior issues in addition to the provisions of Section 16 of this resolution.

(c) To proceed promptly and in an economical and efficient manner with the effectuation, establishment, acquisition, construction, rehabilitation or improvement of all facilities, the effectuation, establishment, acquisition, construction, rehabilitation or improvement whereof is financed with Consolidated Bonds.

(d) To maintain in good condition all facilities the surplus revenues of which are payable into the General Reserve Fund, and to operate them in an efficient and economical manner, making all such renewals and replacements and acquiring and using all such equipment as the Authority shall determine to be necessary or desirable for the proper and economical maintenance and operation thereof.

(e) To make such improvements as part of or in connection with facilities the surplus revenues of which are payable into the General Reserve Fund as the Authority shall determine to be necessary or desirable as incidental to or in connection with the operation of said facilities.

(f) To establish and collect flight fees, wharfage, dockage, rents, tolls and other charges in connection with facilities the net revenues of which are pledged as security for Consolidated Bonds, to the end that at least sufficient net revenues may be produced therefrom at all times to provide for the debt service upon all Consolidated Bonds.

(g) In the event the net revenues pledged as security for Consolidated Bonds are insufficient to provide for the debt service upon any or all Consolidated Bonds, to make good any deficiency out of

## APPENDIX C

---

the General Reserve Fund or other available revenues, moneys or funds; and for that purpose to establish, maintain and collect flight fees, wharfage, dockage, rents, tolls and other charges in connection with facilities the surplus revenues of which are payable into the General Reserve Fund (including facilities the net revenues of which are not pledged as security for Consolidated Bonds), to the end that combined surplus revenues may be produced therefrom at least sufficient to make good (through the medium of the General Reserve Fund) any deficiency in the debt service upon Consolidated Bonds, *provided, however*, that nothing herein contained shall be deemed to constitute an agreement or covenant by the Authority to make any payments into the General Reserve Fund in excess of the payments required to be made pursuant to the General Reserve Fund statutes.

(h) To keep all facilities the surplus revenues of which are payable into the General Reserve Fund (and all structures, equipment and properties forming part thereof) insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts and with such deductibles as the Authority shall deem necessary for the protection of the holders of Consolidated Bonds.

(i) Duly and punctually to pay or cause to be paid the debt service upon all underlying mortgage bonds outstanding in connection with all or any part of any facility the surplus revenues of which are payable into the General Reserve Fund, in strict conformity with the terms of such bonds.

(j) To make all such expenditures as the Authority shall determine are necessary or desirable for, in connection with or incidental to the fulfillment of any of the covenants or other undertakings assumed by the Authority to or for the benefit of the holders of any Consolidated Bonds in this Section 12 or in any other section of this resolution or in any other resolution relating to Consolidated Bonds.

(k) In case any facility or any real property constituting a portion of a facility, the net revenues of which are pledged as security for Consolidated Bonds, is sold by the Authority or is condemned pursuant to the power of eminent domain, to apply the net proceeds of such sale or condemnation to capital expenditures upon facilities the net revenues of which are pledged as security for Consolidated Bonds, or to the retirement of Consolidated Bonds or bonds of prior issues after satisfying any prior obligations in respect of such facilities or in respect of the disposition of such proceeds; *provided, however*, that nothing herein contained shall be construed to prevent the Authority from applying the award in any condemnation proceeding in accordance with the Agreement with respect to the Newark Marine and Air Terminals between the City of Newark and the Authority, dated October 22, 1947, or the Agreement with respect to Municipal Air Terminals between the City of New York and the Authority, dated April 17, 1947, or any lease or other agreement for the use of real property heretofore or hereafter entered into by the Authority whether as landlord, tenant, licensor, licensee or otherwise.

### SECTION 13. **Registrars and Paying Agents.**

The Authority shall designate one or more Registrars and Paying Agents to act as such for and in connection with each series of Consolidated Bonds, and may in its discretion, from time to time, terminate such appointments or designations, designate new, substitute or additional Registrars and Paying Agents, designate separate and different Registrars and Paying Agents in connection with different series or installments of Consolidated Bonds, and designate itself to act as Registrar or Paying Agent; *provided*, that if the Authority shall provide for the authentication of the bonds of any series by the Registrar thereof, it shall not designate itself to act as such Registrar.

**SECTION 14. Evidence of Ownership.**

Any notice to the contrary notwithstanding, the Authority and its Registrars and Paying Agents may, at the option of the Authority, treat the following persons as the absolute owners of Consolidated Bonds or coupons for the purpose of paying principal or interest and for all other purposes whatsoever:

(a) In the case of bonds not registered as to principal, — the person or persons in possession of such bonds.

(b) In the case of the coupons of any bonds not registered as to interest, — the person or persons in possession of such coupons.

(c) In the case of bonds registered as to both principal and interest in accordance with the provisions established by the Authority for such registration, — the person or persons in whose name such bonds are registered.

(d) In the case of bonds registered as to principal only in accordance with the provisions established by the Authority for such registration, — the person or persons in whose name such bonds are registered, except for the purpose of paying interest represented by outstanding coupons.

**SECTION 15. Liability.**

No Commissioner, officer, agent, representative, employee, Registrar or Paying Agent of the Authority shall be held personally liable to any purchaser or holder of any Consolidated Bond under or upon such bond, or under or upon this resolution or any resolution hereafter adopted relating to Consolidated Bonds, or because of the issuance or attempted issuance of any Consolidated Bonds, or because of any act or omission in connection with the construction, acquisition, effectuation, operation or maintenance of any facility of the Authority, or because of any act or omission in connection with the investment or management of the revenues, funds or moneys of the Authority, or otherwise in connection with the management of its affairs, excepting solely for things willfully done with an intent to defraud or willfully omitted to be done with an intent to defraud.

**SECTION 16. Modifications.**

(a) The Authority may from time to time and at any time, without authorization, consent or other action by any of the holders of Consolidated Bonds, modify or amend this resolution, or any other resolution relating to Consolidated Bonds, but only for the purpose of curing any ambiguity or of curing or correcting any defective or inconsistent provision, or for any other purpose not inconsistent with this resolution or with any other resolution relating to Consolidated Bonds; *provided*, that no such amendment made pursuant to this sub-section (a) shall alter or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal and interest of any bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, or shall alter or impair the security of any bond, or otherwise alter or impair any rights of any bondholder.

(b) In addition to the power given in sub-section (a) of this Section 16, any of the terms or provisions of this resolution (or of any resolution amendatory of or supplemental to this resolution) may be amended, repealed or modified in the manner hereinafter set forth in this Section 16, for the purpose of modifying or amending in any particular any of the terms or provisions (including, without limiting the generality of the foregoing, any provisions regarding amortization and retirement) of any of the Consolidated Bonds or of any of the coupons pertaining thereto; *provided*, that no such amendment, repeal or modification shall alter or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal and

## APPENDIX C

---

interest of any Consolidated Bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, without the express consent of the holder of such bond.

i. Whenever the Authority shall desire any such amendment, repeal or modification of any of the provisions of this resolution (or of any resolution amendatory of or supplemental to this resolution), it shall call a meeting of the holders of Consolidated Bonds (or if the amendment, repeal or modification proposed shall affect the rights of the holders of such bonds of only one or more particular series or installments, then of the holders of all Consolidated Bonds of each such series or installment so to be affected) for the purpose of considering and acting upon any such proposed amendment, repeal or modification. A notice specifying the purpose, place, date and hour of such meeting shall be published by the Authority in a daily newspaper of general circulation in the City of New York, State of New York, and also in one or more daily newspapers of general circulation in one or more of the following cities: the City of Boston, Commonwealth of Massachusetts; the City of Philadelphia, Commonwealth of Pennsylvania; the City of Chicago, State of Illinois; and the City of San Francisco, State of California. Such notice shall be published once a week for four consecutive weeks, the first publication to be not less than thirty days nor more than ninety days prior to the date fixed for the meeting. Such notice shall briefly set forth the nature of the proposed amendment, repeal or modification, and shall give notice that a copy thereof is on file with the Authority for inspection by the holders of the bonds. On or before the date of the first publication of the notice, a similar written or printed notice shall be mailed by the Authority, postage prepaid, to the holders of such bonds registered either as to principal or as to both principal and interest, at the addresses appearing on the registry books of the Authority, and who are to be affected by the proposed amendment, repeal or modification. The actual receipt by any bondholder of notice of such meeting shall not be essential to the validity of such meeting, and a certificate by the Authority, duly executed by its Chairman or Vice-Chairman, that the meeting has been called and notice thereof given as herein provided, shall be conclusive as against all parties, and it shall not be open to any bondholder to show that he failed to receive notice of such meeting or to object to the form of such notice, *provided*, that such notice shall conform substantially to the provisions of this subdivision i of this sub-section (b) of this Section 16.

ii. No person shall be entitled to vote at such meeting unless he shall be a holder of a Consolidated Bond or shall hold a proxy duly executed by such a bondholder, and (1) he shall present at the meeting his Consolidated Bond or Bonds (or in the case of the holder of a proxy, the Consolidated Bond or Bonds of his principal), or (2) he shall present at the meeting a certificate of the character herein described in subdivision iii of this sub-section (b) of this Section 16, or (3) his name (or, in the case of the holder of a proxy, the name of his principal) shall appear as a registered bondholder on the list prepared and presented to the meeting by the Registrar as provided in subdivision iii of this sub-section (b) of this Section 16.

iii. Any holder of Consolidated Bonds may, prior to any such meeting, deliver his Consolidated Bond or Bonds, at his own expense, to any Registrar of Consolidated Bonds, or to such bank, banking firm or trust company as shall be satisfactory to the Authority, and thereupon shall be entitled to receive an appropriate receipt for the bonds so deposited, calling for the re-delivery of such bonds at any time after the meeting. A certificate signed by any such Registrar, or by any such bank, banking firm or trust company that the bonds have been so deposited, and giving the amount, denomination, series and numbers thereof, shall be sufficient evidence to permit the holder of any such certificate, including the holder of a proxy who shall produce such certificate, to be present and to vote at any meeting. The Registrar or Registrars of Consolidated Bonds shall prepare and deliver to the Authority at the time of the convening of the meeting, a list of the names and addresses of the registered holders of the bonds proposed to be affected by said amendment, repeal or modification, as of the close of business on the day before the date set for the meeting, or the date to which such meeting shall have been adjourned,

## APPENDIX C

---

together with a statement of the denominations, series and numbers of the bonds registered in the name of each such registered holder.

iv. The Authority shall present to the meeting at the convening thereof, a statement in writing duly executed by its Chairman or Vice-Chairman or by the Chairman or Vice-Chairman of its Committee on Finance, listing the denominations, series and numbers of all bonds of all series proposed to be affected by said amendment, repeal or modification, owned by it or held for its account directly or indirectly, including any bond registered in the name of the Authority or held for the account of any debt reserve fund of the Authority, and no person shall be permitted at the meeting to cast any vote or give any consent because of any bonds listed on such statement, and no such bonds (hereinafter referred to as Authority-owned bonds) shall be counted in determining any vote at such meeting, including the determination of whether or not a quorum is present.

v. A representation of at least 60% in aggregate principal amount of the Consolidated Bonds then outstanding (exclusive of Authority-owned bonds) or, if the amendment, repeal or modification proposed shall only affect the rights of the holders of one or more particular series or installments of Consolidated Bonds, then 60% in aggregate principal amount of the bonds outstanding (exclusive of Authority-owned bonds) of each such series or installment so to be affected, shall be necessary to constitute a quorum at any such meeting of bondholders; but less than a quorum may adjourn the meeting from time to time and the meeting may be held as adjourned without further notice, whether such adjournment shall have been held by a quorum or by less than a quorum. The Authority shall designate a Commissioner or officer of the Authority to preside as temporary chairman, and such temporary chairman shall immediately call for nominations for a permanent chairman for such meeting. Such permanent chairman shall be some person who shall be a bondholder, or the holder of a proxy, entitled to vote at the meeting. At such meeting each person shall be entitled to one vote for each \$1,000 principal amount of such bonds held or represented by him as provided in subdivision ii of this sub-section (b) of this Section 16, and such vote shall be cast by ballot. Except as herein provided, the meeting may adopt its own rules of procedure.

vi. At any such meeting held as aforesaid, the Authority shall submit for consideration and action of the holders of Consolidated Bonds or, if the amendment, repeal or modification proposed shall only affect the rights of the holders of one or more particular series or installments of Consolidated Bonds, then of the bondholders of each such series or installments to be affected, a proposed resolution embodying the amendment, repeal or modification to be considered by the meeting. If such proposed resolution shall be consented to and approved (either in person or by proxy) by the holders of at least 60% in aggregate principal amount of the bonds to be affected thereby outstanding at the time (exclusive of Authority-owned bonds), then, and in such case, the Authority shall thereby be authorized and empowered to adopt such resolution, and any such resolution so adopted by the Authority shall be binding upon all bondholders, whether or not present at such meeting in person or by proxy, *provided* that no such amendment, repeal or modification shall affect the rights of the holders of one or more series or installments of Consolidated Bonds in a manner or to an extent differing from that in or to which the rights of holders of any other series or installments of Consolidated Bonds are affected unless such resolution shall be approved (either in person or by proxy) by the holders of at least 60% in aggregate principal amount of the Consolidated Bonds then outstanding (exclusive of Authority-owned bonds) of each such series or installment so affected; and no bondholder shall have any right or cause to object to the adoption of any such resolution by the Authority or to object to any of the terms or provisions therein contained or the exercise thereof or of the authorizations contained therein, or in any manner to question the propriety of the adoption thereof or to enjoin or restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

## APPENDIX C

---

vii. Upon the adoption by the Authority of any resolution pursuant to the provisions of this Section 16, this resolution (and any resolution supplemental to or amendatory of this resolution) shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the Authority and all holders of outstanding bonds shall be thereafter determined, exercised and enforced subject, in all respects, to such modifications and amendments.

viii. Minutes of all resolutions adopted and proceedings had at every such meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Authority, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, shall be prima facie evidence of the matters therein stated, and until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been so made and signed shall be deemed to have been duly held and conveyed, and all resolutions passed thereat or proceedings had thereat shall be deemed to have been duly passed and had.

As used above in this Section 16, the terms “bond” and “Consolidated Bond” shall include any interim receipt therefor; and the terms “bondholder” and “holder” of a “Consolidated Bond” shall include the holder of such an interim receipt.

### SECTION 17. **Determinations**.

Whenever in this resolution it is provided that any selection, designation, determination or estimate shall or may be made by the Authority or that any action may be taken or withheld by the Authority or that any action shall or may be taken or withheld at the option of or dependent upon the opinion, discretion or judgment of the Authority, then the Authority’s such selection, designation, determination, estimate, action, option, opinion, discretion or judgment expressed by its Board of Commissioners or by a committee or officer or other person duly authorized shall be conclusive for the purposes of this resolution.

---

**PERTINENT STATUTES AND GENERAL RESOLUTIONS**

---

**General**

An important function of the Port Authority is the effectuation of the Comprehensive Plan for the development of the Port District, which was adopted by the two States in 1922 and supplemented from time to time thereafter.

By legislation adopted in 1931, the two States declared that the vehicular traffic moving across interstate waters within the Port District constitutes a general movement of traffic which follows the most accessible and practicable routes, and that the users of each such vehicular bridge or tunnel across these waters benefit by the existence of every vehicular bridge or tunnel, since all of the bridges or tunnels relieve congestion and facilitate the movement of traffic. Accordingly, the two States provided that the construction and operation of such bridges and tunnels authorized by State law should be unified under the Port Authority. The legislation referred to leaves the Congress of the United States free to exercise its powers with respect to interstate crossings.

In 1947, the two States adopted legislation authorizing municipalities in the Port District to cooperate with the Port Authority in the development of marine terminals and empowered them to consent to the use by the Port Authority of any municipally owned marine terminal development, including the right to convey, lease or otherwise transfer such marine terminal development to the Port Authority. The Port Authority may also acquire privately owned marine terminal properties under the original Compact.

The two States also adopted legislation in 1947 declaring that the problem of furnishing proper and adequate air terminal facilities within the Port District is a regional and interstate problem and that it should be the policy of the two States to encourage the integration of air terminals so far as practicable in a unified system. In furtherance of said policy and in partial effectuation of the Comprehensive Plan, the Port Authority was authorized to proceed with air terminal development within the Port District. These statutes were amended during 1971-1973 to authorize the Port Authority to provide mass transportation facilities connecting with John F. Kennedy International Airport and Newark Liberty International Airport. These statutes, and the marine terminal statutes noted above, were amended in 1978 to authorize the Port Authority to participate in the effectuation of legislatively designated highway projects in the vicinity of an air or marine terminal providing improved access to such air or marine terminal and in 1980 to authorize the Port Authority to participate in the effectuation of certain port-related railroad freight projects related or of benefit to Port Authority marine or air terminals or to the protection or promotion of the commerce of the Port District.

In 1962, the two States authorized the Port Authority to proceed with the acquisition, rehabilitation and operation of the Hudson Tubes, consisting of the properties formerly operated by the Hudson & Manhattan Railroad Company, and certain extensions to the Hudson Tubes; also the States authorized a new facility of commerce known as the World Trade Center. Additionally, the Port Authority was authorized to cooperate with other agencies of government in the rehabilitation and redevelopment of the Hudson Tubes-World Trade Center areas, in part for the purpose of the renewal and improvement of such areas, as part of this port development project. These statutes were amended during 1972-1974 to authorize the Port Authority to effectuate an extension of the Hudson Tubes from the City of Newark to the vicinity of the City of Plainfield in New Jersey and to undertake a series of New Jersey rail improvements with respect to direct Erie-Lackawanna Railroad service into Pennsylvania Station in New York City. The



## APPENDIX C

---

amendments also provided for the repeal of the provisions of the statutory covenant with the holders of affected bonds of the Port Authority contained in the 1962 legislation which limited the Port Authority's financial participation in additional deficit passenger railroad facilities. The Supreme Court of the United States determined that the retroactive application of the repeal to affected bonds issued prior to May 10, 1973, was invalid as a violation of the United States Constitution. The last series of Consolidated Bonds to which this statutory covenant applied was redeemed on September 1, 2001.

In 1967, the State of New York adopted legislation, and in 2007, the State of New Jersey adopted concurrent legislation, which authorized the Port Authority to acquire and operate one air terminal in New York and one air terminal in New Jersey, located outside the Port District, with the site of each such air terminal subject to the approval of the Governor thereof.

In 1978, the two States adopted legislation declaring that to prevent further deterioration of the economy of the Port District and to promote, preserve and protect trade and commerce in and through the Port District, it is the policy of the two States actively to promote, attract, encourage and develop economically sound commerce and industry through governmental action. In furtherance of said policy and in partial effectuation of the Comprehensive Plan, the Port Authority was authorized to proceed with the development of industrial development projects, including resource recovery and industrial pollution control facilities.

In 1979, the two States adopted legislation which, as amended in 1982, authorized the Port Authority to acquire, develop, finance and transfer, subject to appropriate certifications, up to \$440,000,000 of buses and ancillary bus facilities in the States of New York and New Jersey, with up to \$220,000,000 allocated in each State, for the purpose of leasing, selling, transferring or otherwise disposing of such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The legislatures determined that the economic viability of the existing facilities operated by the Port Authority is dependent upon the effective and efficient functioning of the transportation network of the northern New Jersey-New York metropolitan area and that access to and proper utilization of such Port Authority facilities would be adversely affected if users of bus transportation were to find such transportation unavailable or significantly curtailed.

In 1984, the Port Authority was authorized to participate in effectuating certain mixed-use waterfront development projects in each of the States. The legislatures determined that the Port Authority, in view of its extensive experience both in waterfront construction and administration of waterfront projects, is a proper agency to act on behalf of either State in the redevelopment of specific waterfront areas in the Port District which are no longer utilized in the movement of cargo or which are related to the movement of passengers and their vehicles or to the operation or development of any other Port Authority project or facility.

### Statutes

Chapter 154 of the Laws of New York of 1921, as amended by Chapter 419 of the Laws of New York of 1930, by Chapter 531 of the Laws of New York of 1972 and by Chapter 275 of the Laws of New York of 1992 (McK. Unconsol. Laws §§ 6401-6423), and Chapter 151 of the Laws of New Jersey of 1921, as amended by Chapter 244 of the Laws of New Jersey of 1930, by Chapter 69 of the Laws of New Jersey of 1972 and by Chapter 395 of the Laws of New Jersey of 1991 (N.J.S.A. 32:1-1 to 24), containing the Compact between the two States creating the Port Authority, and S.J. Res. 88, 67th Cong., 42 Stat. 174 (1921) [Public Resolution No. 17], consenting thereto.

Chapter 9 of the Laws of New Jersey of 1922 (N.J.S.A. 32:1-25 to 35), and Chapter 43 of the Laws of New York of 1922 (McK. Unconsol. Laws §§ 6451-6461), adopting a Comprehensive Plan for the

## APPENDIX C

---

development of the Port District, and H.R.J. Res. 337, 67th Cong., 42 Stat. 822 (1922) [Public Resolution No. 66], consenting thereto.

Chapter 333 of the Laws of New Jersey of 1927, as amended by Chapter 20 of the Laws of New Jersey of 1972 (N.J.S.A. 32:2-6 to 9), and Chapter 700 of the Laws of New York of 1927, as amended by Chapter 215 of the Laws of New York of 1956 and Chapter 602 of the Laws of New York of 1972 (McK. Unconsol. Laws §§ 7151-7154), relating to the time period for gubernatorial action with respect to minutes of the Board of Commissioners.

Chapter 114 of the Laws of New Jersey of 1930 (N.J.S.A. 32:2-24), and Chapter 486 of the Laws of New York of 1928, and Chapter 46 of the Laws of New York of 1931, as amended by Chapter 635 of the Laws of New York of 1951 (McK. Unconsol. Laws § 312), making certain inland and marine terminal bonds legal for investment\* and eligible for deposit as security with certain public officers and agencies.

Chapter 4 of the Laws of New Jersey of 1931 (N.J.S.A. 32:1-118 to 140), and Chapter 47 of the Laws of New York of 1931 (McK. Unconsol. Laws §§ 6501-6525), relating to the construction, operation and financing of interstate vehicular bridges and tunnels, as amended by Chapter 11 of the Laws of New Jersey of 1954, and Chapter 180 of the Laws of New York of 1954, relating to the third tube of the Lincoln Tunnel, as further amended by Chapter 156 of the Laws of New Jersey of 1956, and Chapter 807 of the Laws of New York of 1955, relating to the second deck of the George Washington Bridge.

Chapter 5 of the Laws of New Jersey of 1931, as amended by Chapter 197 of the Laws of New Jersey of 1945 (N.J.S.A. 32:1-141 to 143), and Chapter 48 of the Laws of New York of 1931, as amended by Chapter 163 of the Laws of New York of 1945 (McK. Unconsol. Laws §§ 7001-7003), relating to the use of Port Authority revenues.

Sections 98, 105 and 106 of the New York State Finance Law, relating to the investment of state funds in bonds of the Port Authority, and authorizing Port Authority bonds as security for deposit of moneys by state officers and by certain others.

Chapter 24 of the Laws of New York of 1937, as amended by Chapter 141 of the Laws of New York of 1953 (McK. Unconsol. Laws § 313), and Chapter 83 of the Laws of New Jersey of 1937, as amended by Chapter 81 of the Laws of New Jersey of 1953 (N.J.S.A. 32:2-24.1), making General and Refunding Bonds and Consolidated Bonds legal for investment\* and eligible for deposit as security with certain public officers and agencies.

Chapter 410 of the Laws of New York of 1944, as amended by Chapter 899 of the Laws of New York of 1945 and by Chapter 432 of the Laws of New York of 1949, relating to the Port Authority Grain Terminal.

Chapter 163 of the Laws of New York of 1945 (McK. Unconsol. Laws § 6731), relating to motor truck terminals and making motor truck terminal bonds legal for investment\* and eligible for deposit as security with certain public officers and agencies.

---

\**I.e.* securities in which public officers, banks and savings banks, insurance companies, trustees and other fiduciaries may legally invest funds.

## APPENDIX C

---

Chapter 197 of the Laws of New Jersey of 1945 (N.J.S.A. 32:1-141.1), relating to motor truck terminals and making motor truck terminal bonds and grain terminal bonds legal for investment\* and eligible for deposit as security with certain public officers and agencies.

Chapter 95 of the Laws of New Jersey of 1946 (N.J.S.A. 32:2-23.1 to 23.5), and Chapter 443 of the Laws of New York of 1946 (McK. Unconsol. Laws §§ 6701-6706), relating to the financing and effectuation of a motor bus terminal.

Chapter 43 of the Laws of New Jersey of 1947, as amended by Chapter 214 of the Laws of New Jersey of 1948, by Chapter 245 of the Laws of New Jersey of 1971, by Chapter 207 of the Laws of New Jersey of 1972, by Chapter 365 of the Laws of New Jersey of 1977, by Chapter 157 of the Laws of New Jersey of 1980 and by Chapter 75 of the Laws of New Jersey of 2007 (N.J.S.A. 32:1-35.1 to 35.27f) and by Chapter 75 of the Laws of New Jersey of 2007 (N.J.S.A. 32:1-35.27e to 1-35.27f), and Chapter 802 of the Laws of New York of 1947, as amended by Chapter 785 of the Laws of New York of 1948, by Chapter 717 of the Laws of New York of 1967 (McK. Unconsol. Laws § 6631), by Chapters 474 and 475 of the Laws of New York of 1971, by Chapter 317 of the Laws of New York of 1973, by Chapter 792 of the Laws of New York of 1978 and by Chapter 470 of the Laws of New York of 1980 (McK. Unconsol. Laws §§ 6631-6647), relating to the financing and effectuation of air terminals.

Chapter 44 of the Laws of New Jersey of 1947, as amended by Chapter 212 of the Laws of New Jersey of 1948, by Chapter 365 of the Laws of New Jersey of 1977 and by Chapter 157 of the Laws of New Jersey of 1980 (N.J.S.A. 32:1-35.25 to 35.36), and Chapter 631 of the Laws of New York of 1947, as amended by Chapter 784 of the Laws of New York of 1948, by Chapter 792 of the Laws of New York of 1978 and by Chapter 470 of the Laws of New York of 1980 (McK. Unconsol. Laws §§ 6671-6678), relating to marine terminals. This legislation was further amended by Chapter 9 of the Laws of New Jersey of 1983 (N.J.S.A. 32:1-35.36c to 35.36k) and Chapters 676 and 677 of the Laws of New York of 1984, respectively, relating to the acquisition, development and financing of waterfront development projects.

Chapter 301 of the Laws of New York of 1950, as amended by Chapter 938 of the Laws of New York of 1974 (McK. Unconsol. Laws §§ 7101-7112), Chapter 143 of the Laws of New York of 1953 (McK. Unconsol. Laws §§ 7131-7136) and Chapter 599 of the Laws of New York of 1977 (McK. Unconsol. Laws §§ 7141-7142); and Chapter 204 of the Laws of New Jersey of 1951 (N.J.S.A. 32:1-157 to 168), Chapter 172 of the Laws of New Jersey of 1953 (N.J.S.A. 32:1-169 to 174), and Chapter 363 of the Laws of New Jersey of 1977 (N.J.S.A. 32:1-175, 176), relating to suits against the Port Authority.

Chapter 51 of the Laws of New Jersey of 1955 (N.J.S.A. 32:119.2), and Chapter 810 of the Laws of New York of 1955 (McK. Unconsol. Laws § 6504), relating to the construction of a peripheral automobile parking lot as an improvement to any bridge or tunnel.

Chapter 16 of the Laws of New Jersey of 1956 (N.J.S.A. 32:2-34 to 36), and Chapter 444 of the Laws of New York of 1956 (McK. Unconsol. Laws §§ 6751-6754), authorizing the Port Authority to contribute to the cost of certain extensions to the New Jersey Turnpike.

Chapter 8 of the Laws of New Jersey of 1962, as amended by Chapter 208 of the Laws of New Jersey of 1972 and by Chapter 25 of the Laws of New Jersey of 1974 (N.J.S.A. 32:1-35.50 to 35.68), and Chapter 209 of the Laws of New York of 1962, as amended by Chapter 1003 of the Laws of New York of 1972, by Chapter 318 of the Laws of New York of 1973 and by Chapter 993 of the Laws of New York of

---

\* *I.e.* securities in which public officers, banks and savings banks, insurance companies, trustees and other fiduciaries may legally invest funds.

## APPENDIX C

---

1974 (McK. Unconsol. Laws §§ 6601-6618), relating to the World Trade Center, the Hudson Tubes and the Hudson Tubes extensions, and the use of Port Authority revenues.

Chapter 110 of the Laws of New Jersey of 1978 (N.J.S.A. 32:1-35.72 to 35.93) and Chapter 651 of the Laws of New York of 1978 (McK. Unconsol. Laws §§ 7171-7192), relating to the effectuation of industrial development projects and facilities and the use of Port Authority revenues, and Public Law No. 96-163, 96th Congress, First Session (93 Stat. 1242), consenting thereto.

Chapter 33 of the Laws of New Jersey of 1979, as amended by Chapter 407 of the Laws of New Jersey of 1981 (N.J.S.A. 32:2-23.27 to 23.42) and Chapter 12 of the Laws of New York of 1979, as amended by Chapter 314 of the Laws of New York of 1981 (McK. Unconsol. Laws §§ 7201-7217), relating to the acquisition, development, financing and transfer of buses and ancillary bus facilities.

**Certain Other Relevant Federal Statutes**

Act of March 23, 1906 (commonly known as the Bridge Act of 1906), Pub. L. No. 65, 34 Stat. 84 (1906), *as amended* by the Federal-Aid Highway Act of 1987, Pub. L. No. 100-17 § 135, 101 Stat. 132, 174 (1987) (codified in pertinent part at 33 U.S.C. § 508), relating to the establishment of tolls for passage or transit over bridges constructed under the authority of the Bridge Act of 1906.

Act of Oct. 17, 1978, Pub. L. No. 95-473, 92 Stat. 1337, 1360 (1978), *as amended by and restated in* the ICC Termination Act of 1995, Pub. L. No. 104-88 § 102(a), 109 Stat. 807 (1995) (codified in pertinent part at 49 U.S.C. § 10501(c)), relating to the exclusion, with certain limited exceptions, for mass transportation provided by local government authorities from the jurisdiction of the Surface Transportation Board.

Airport and Airway Improvement Act of 1982, Pub. L. No. 97-248, 96 Stat. 324 (1982), *as amended by and restated in* the Federal Aviation Reauthorization Act of 1996, Pub. L. No. 104-264, 110 Stat. 3213 (1996) (codified in pertinent part at 49 U.S.C. § 47133(b)), relating to the ability of certain airport owners and operators to use the revenues generated by an airport that is the subject of federal assistance for general debt obligations or other facilities of the owner or operator of such airport.

Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42 § 408, 115 Stat. 230 (2001), *as amended by* the Aviation and Transportation Security Act, Pub. L. No. 107-71 § 201(b), 115 Stat. 597 (2001), relating to the limitation on liability for claims arising from the terrorist attacks of September 11, 2001.

Aviation and Transportation Security Act, Pub. L. No. 107-71 § 101(a), 115 Stat. 597 (2001), *as amended by* the Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135 (2002), relating to the creation of the Transportation Security Administration.

Pub. L. No. 107-230, 116 Stat. 1469 (2002), providing in pertinent part for a temporary waiver from certain transportation conformity requirements and metropolitan transportation planning requirements under the Clean Air Act of 1990 for certain areas in New York where the planning offices and resources have been destroyed by acts of terrorism.

National Construction Safety Team Act, Pub. L. No. 107-231, 116 Stat. 1471 (2002) (codified in pertinent part at 15 U.S.C. § 7311), relating to the establishment of teams to investigate certain building disasters.

Maritime Transportation Security Act of 2002, Pub. L. No. 107-295, 116 Stat. 2064 (2002), relating to security of port facilities.

Intelligence Authorization Act for Fiscal Year 2003, Pub. L. No. 107-306, 116 Stat. 2408, relating to the establishment of the National Commission on Terrorist Attacks Upon the United States.

National Historic Preservation Act of 1966, as amended, 16 U.S.C.A. § 470 *et seq.*

Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (“CERCLA”), 42 U.S.C. § 9601 *et seq.*

National Environmental Policy Act of 1969 Pub. L. No. 91-190, § 102, 42 U.S.C. § 4332 (1994).

Terrorism Risk Insurance Program Reauthorization Act of 2015, Pub. L. No. 114-1 (2015).

## APPENDIX C

---

### Resolutions

Resolution of March 9, 1931, as amended May 5, 1932, as further amended by the Resolution of October 9, 1952, establishing issue of Consolidated Bonds, and Resolution of September 22, 1932, relating to the General Reserve Fund.

Basic Resolution adopted March 18, 1935, as amended March 25, 1935, September 16, 1943, March 6, 1947, and October 23, 1947, establishing issue of General and Refunding Bonds.

Resolution of November 13, 1947, and Resolution of October 9, 1952, relating to the administration of the General Reserve Fund.

Resolution of June 18, 1948, establishing issue of Air Terminal Bonds.

Resolution of November 23, 1948, establishing issue of Marine Terminal Bonds.

Resolution of October 9, 1952, establishing issue of Consolidated Bonds.

Resolution of November 13, 1958, relating to the effect of the application of Consolidated Bonds, Twelfth Series, to the acquisition of the Erie Basin-Port Authority Marine Terminal.

Resolution of June 14, 1962, relating to the certification of the Hudson Tubes as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds or Consolidated Notes for purposes of capital expenditures in connection with that facility.

Resolution of September 9, 1965, relating to the certification of the World Trade Center as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of March 8, 1979, relating to the certification of the Port Authority Bus Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility; and resolution of May 13, 1982, relating to the certification of the extension of the Port Authority Bus Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of April 29, 1981, relating to the certification of the Oak Point Rail Freight Link as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 28, 1981, relating to the certification of the Bathgate Industrial Development Project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of September 9, 1982, as amended and supplemented by Resolutions of June 9, 1983, October 13, 1983, July 11, 1985, November 14, 1985, January 7, 1988, October 11, 1990, November 9, 1995, June 29, 2000, May 26, 2005, June 22, 2010 and July 23, 2015 with respect to the establishment and authorization of issuance of Port Authority Commercial Paper Obligations.

## APPENDIX C

---

Resolution of June 9, 1983, relating to the certification of the Teleport as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of June 9, 1983, establishing issue of Special Project Bonds.

Resolution of June 14, 1984, relating to the certification of the Elizabeth Industrial Park as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 11, 1984, relating to the certification of the Pre-development Site Acquisition Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 11, 1984, relating to the certification of the Newark Legal and Communications Center as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 11, 1984, relating to the certification of the Greenville Yard-Port Authority Marine Terminal as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of May 9, 1985, as amended November 14, 1985, relating to the certification of the Essex County Resource Recovery Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of June 13, 1985, relating to the certification of the Howland Hook Marine Terminal as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of December 11, 1986 (a portion of which appears in the Official Minutes of January 22, 1987), relating to the certification of an Imported Automobile Marine Terminal as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of May 14, 1987, relating to the certification of the Newark South Ward Industrial Park as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of September 10, 1987, relating to the certification of the Regional Development Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of July 14, 1988, March 9, 1989, May 11, 1989 (of the Committee on Finance of the Board of Commissioners of the Port Authority), November 14, 1991, April 9, 1992 (of the Committee on Finance of the Board of Commissioners of the Port Authority), October 13, 1994 and December 12, 1996, as modified by Resolution of November 18, 1999, relating to Port Authority Variable Rate Master Notes.

Resolutions of July 14, 1988, December 10, 1992 and April 27, 2005, as modified by Resolution of March 30, 2006, with respect to Interest Rate Exchange Contracts.

## APPENDIX C

---

Resolution of September 14, 1989, relating to the certification of the New Jersey Marine Development Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of September 14, 1989 and July 11, 1991, relating to the certification of the Regional Economic Development Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of September 14, 1989, relating to the certification of the Trans-Hudson Ferry Service as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of November 14, 1991, establishing Consolidated Bonds, Eighty-fifth Series, Due 2029, and authorizing the issue and sale thereof; as a result of action taken at the time of sale of such Series, it is now known as "Consolidated Bonds, Eighty-fifth Series."

Resolution of June 11, 1992, as modified by Resolutions of October 13, 1994, December 12, 1996 and November 18, 1999, with respect to the establishment and authorization of issuance of Port Authority Versatile Structure Obligations.

Resolutions of June 11, 1992, as amended by Resolution of April 11, 1996, establishing and authorizing the issuance of Special Project Bonds, Series 4, KIAC Partners Project, and authorizing the sale thereof.

Resolutions of June 11, 1992, as amended by Resolution of April 11, 1996, establishing and authorizing the issuance of Special Project Bonds, Series 5, KIAC Partners Project, and authorizing the sale thereof.

Resolution of June 11, 1992 (and procedures and subject matter exceptions of August 13, 1992, as modified by Resolution of December 14, 2006), relating to public attendance at meetings of the Board of Commissioners of the Port Authority and its committees.

Resolutions of June 10, 1993, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, Ninety-third Series (as amended March 10, 1994 solely with respect to Consolidated Bonds, Ninety-third Series), and authorizing the sale thereof.

Resolutions of June 10, 1993, October 13, 1994 and December 12, 1996, as modified by Resolution of November 18, 1999, with respect to the establishment and authorization of issuance of Port Authority Equipment Notes.

Resolution of December 15, 1994, relating to the authority of the Committee on Operations of the Board of Commissioners of the Port Authority to take actions on behalf of the Board of Commissioners of the Port Authority.

Resolutions of October 17, 1996, establishing and authorizing the issuance of Special Project Bonds, Series 6, JFK International Air Terminal LLC Project, and authorizing the sale thereof.

Resolution of September 25, 1997, relating to the certification of the Hoboken South Waterfront Development project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.



## APPENDIX C

---

Resolution of September 25, 1997, relating to the certification of the Queens West Waterfront Development project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Regional Rail Freight Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the New York Transportation, Economic Development and Infrastructure Renewal Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Regional Transportation Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Hudson-Raritan Estuary Resources Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility; and resolution of April 23, 2014, relating to the certification of the Hudson-Raritan Estuary Resources Program II as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of November 18, 2004, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Forty-third Series through Consolidated Bonds, One Hundred Forty-fourth Series and Consolidated Bonds, One Hundred Forty-sixth Series through Consolidated Bonds, One Hundred Forty-ninth Series, and authorizing the sale thereof.

Resolution of February 23, 2006, relating to the certification of the Meadowlands Passenger Rail Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of July 26, 2007, relating to the certification of Stewart International Airport as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of July 26, 2007, May 22, 2008, July 28, 2011, March 29, 2012, June 28, 2012, August 1, 2012, and September 20, 2012 relating to the By-Laws of the Port Authority.

Resolutions of November 15, 2007, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Fiftieth Series through Consolidated Bonds, One Hundred Sixty-first Series and authorizing the sale thereof (as amended pursuant to the resolution of January 22, 2009, solely with respect to the sale of Consolidated Bonds, One Hundred Fifty-fourth Series through Consolidated Bonds, One Hundred Sixty-first Series).

Resolution of January 4, 2008, relating to a change in the tolls schedule for the Port Authority's vehicular crossings, and providing for periodic adjustments calculated in accordance with annual increases in the Consumer Price Index.

## APPENDIX C

---

Resolution of June 30, 2008, relating to the certification of the Access to the Region's Core Project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of February 19, 2009, relating to a Code of Ethics for the Commissioners of the Port Authority.

Resolutions of November 19, 2009, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Sixty-second Series through Consolidated Bonds, One Hundred Seventy-third Series and authorizing the sale thereof (as amended pursuant to the resolution of May 25, 2011, solely with respect to the sale of Consolidated Bonds, One Hundred Sixty-eighth Series through Consolidated Bonds, One Hundred Seventy-third Series).

Resolutions of August 5, 2010, establishing and authorizing the issuance of Special Project Bonds, Series 8 and Series 9, JFK International Air Terminal LLC Project, and authorizing the sale thereof.

Resolution of August 19, 2011, relating to changes in the tolls schedule for the Port Authority's vehicular crossings.

Resolution of August 19, 2011, relating to changes in the fare schedule for the Port Authority Trans-Hudson System.

Resolutions of August 1, 2012, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-first Series and authorizing the sale thereof (as amended pursuant to the resolution of October 16, 2013, solely with respect to the sale of Consolidated Bonds, One Hundred Seventy-eighth Series through Consolidated Bonds, One Hundred Ninety-first Series).

Resolution of February 19, 2014, relating to the adoption of the 2014-2023 Capital Plan for the Port Authority.

Resolution of October 22, 2014, relating to freedom of information and public access to Port Authority records and certain procedures with respect thereto.

Resolution of December 10, 2014, relating to the approval and adoption of the Port Authority's Budget for 2015 with respect to capital and operating expenses.

Resolution of February 19, 2015, endorsing the recommendations of the Bi-State Special Panel on the Future of the Port Authority.

Resolution of March 19, 2015, establishing a Whistleblower Protection Policy for Port Authority employees.

Resolution of March 19, 2015, relating to the designation of the Port Authority's offices at 4 World Trade Center, 150 Greenwich Street, New York, New York 10007 as the location for service of process in the State of New York.

Resolutions of July 23, 2015, establishing and authorizing the issuance of Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series and authorizing the sale thereof.

## APPENDIX C

---

Resolutions of July 23, 2015, establishing and authorizing the issuance of Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE and authorizing the sale thereof.

Resolution of July 23, 2015, recognizing the continued issuance, within the scope of existing authorizations, of Versatile Structure Obligations, Variable Rate Master Notes, Equipment Notes, and Commercial Paper Obligations.

Resolution of December 10, 2015, relating to the approval and adoption of the Port Authority's Budget for 2016 with respect to capital and operating expenses.

## APPENDIX C

### SCHEDULES OF OUTSTANDING DEBT

The following schedule of Consolidated Bonds (as of December 31, 2015)\* includes all mandatory payments (including sinking fund requirements and serial maturities) whether payable from revenues or other sources upon the assumptions that: (1) the presently outstanding bonds or notes will not be retired prior to maturity except in accordance with the mandatory retirement provisions of such bonds or notes; (2) the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; and (3) such payments will be in the amounts scheduled to be made for such year. Interest shown is accrued on the assumption that principal payments for the presently outstanding bonds or notes will be made to the bondholders each year on the date when due.

Year	TOTAL ALL ISSUES		
	Total Principal Amount-\$21,196,580		
	Total	Interest	Amortization
2016	\$1,327,633	\$1,007,613	\$320,020
2017	1,345,574	1,000,179	345,395
2018	1,361,691	984,031	377,660
2019	1,384,442	966,497	417,945
2020	1,396,002	944,662	451,340
2021	1,399,039	922,764	476,275
2022	1,394,252	900,122	494,130
2023	1,377,105	876,875	500,230
2024	1,421,140	853,760	567,380
2025	1,378,452	822,287	556,165
2026	1,400,008	794,368	605,640
2027	1,391,610	764,490	627,120
2028	1,380,873	735,833	645,040
2029	1,421,417	707,097	714,320
2030	1,411,324	665,409	745,915
2031	1,434,944	630,154	804,790
2032	1,471,933	590,468	881,465
2033	1,382,493	549,848	832,645
2034	1,308,961	512,591	796,370
2035	1,325,301	474,471	850,830
2036	1,186,818	432,398	754,420
2037	1,038,342	396,822	641,520
2038	905,196	368,216	536,980
2039	929,737	341,602	588,135
2040	819,170	313,885	505,285
2041	771,065	288,225	482,840
2042	771,306	265,446	505,860
2043	746,364	240,894	505,470
2044	517,094	215,824	301,270
2045	704,564	194,784	509,780
2046	415,744	177,459	238,285
2047	407,264	167,029	240,235
2048	379,197	155,302	223,895
2049	369,328	144,243	225,085
2050	359,459	133,124	226,335
2051	349,592	121,942	227,650
2052	142,186	113,156	29,030
2053	339,940	109,460	230,480
2054	331,004	99,004	232,000
2055	322,071	88,471	233,600
2056	297,915	78,025	219,890
2057	288,983	68,143	220,840
2058	280,055	58,215	221,840
2059	271,123	48,238	222,885
2060	262,195	38,210	223,985
2061	253,264	28,129	225,135
2062	244,332	17,992	226,340
2063	37,625	10,025	27,600
2064	37,609	8,684	28,925
2065	37,589	7,279	30,310
2066-2094	249,246	149,246	100,000
<b>TOTAL</b>	<b>\$41,779,571</b>	<b>\$20,582,991</b>	<b>\$21,196,580</b>

\* This schedule has been revised to include the Consolidated Bonds, One Hundred Ninety-fifth Series and the Consolidated Bonds, One Hundred Ninety-sixth Series and may be further revised from time to time in 2016. "Total All Issues" includes: \$100,000,000 Consolidated Bonds, Ninety-third Series with interest included in each of the years 2016 through 2065, and with principal and interest included on a cumulative basis during the period 2066 through 2094. Not included are: (i) Special Project Bonds; (ii) Commercial Paper Obligations; (iii) Variable Rate Master Notes; (iv) Equipment Notes; and (v) \$335,965,000 Consolidated Bonds, One Hundred Forty-second Series, which were refunded on January 15, 2016 through the allocation of a portion of Consolidated Bonds, One Hundred Ninety-fourth Series.

**APPENDIX C**

**Principal Amounts of Certain Port Authority Obligations Outstanding (as of April 15, 2016)\***

<b>Consolidated Bonds:</b>	<b>Par Value</b>
Eighty-fifth Series, 5.2%-5.375%, Serial/Term, due 2016-2028.....	\$ 73,200,000
Ninety-third Series, 6.125%, Term, due 2094.....	100,000,000
One Hundred Forty-third Series, 5%, Serial/Term, due 2016-2036 (**) ***	500,000,000
One Hundred Forty-fourth Series, 4.25%-5%, Serial/Term, due 2026-2035 ****	300,000,000
One Hundred Forty-sixth Series, 4.25%-5%, Serial/Term, due 2016-2036 (**)	500,000,000
One Hundred Forty-seventh Series, 4.75%-5%, Serial/Term, due 2017-2037 (**)	450,000,000
One Hundred Forty-eighth Series, 5%, Serial/Term, due 2016-2037 ****	420,595,000
One Hundred Forty-ninth Series, 4%-5%, Serial/Term, due 2017-2037 .....	400,000,000
One Hundred Fiftieth Series, 4.75%-6.4%, Serial/Term, due 2016-2027 (A) .....	265,000,000
One Hundred Fifty-first Series, 5.25%, 6% and 5.75%, Term, due 2023, 2028 and 2035 (**)	350,000,000
One Hundred Fifty-second Series, 4.75%-5.75%, Serial/Term, due 2018-2038 (**)	400,000,000
One Hundred Fifty-third Series, 4%-5%, Serial/Term, due 2018-2038.....	500,000,000
One Hundred Fifty-fourth Series, 3%-5%, Serial/Term, due 2016-2029 .....	76,160,000
One Hundred Fifty-fifth Series, 3%-3.5%, Serial, due 2016-2019.....	18,600,000
One Hundred Fifty-sixth Series, 4%-5%, Serial/Term, due 2025-2039 .....	100,000,000
One Hundred Fifty-seventh Series, 5.309%, Term, due 2019 (A).....	150,000,000
One Hundred Fifty-eighth Series, 5.859%, Term, due 2024 (A).....	250,000,000
One Hundred Fifty-ninth Series, 6.04%, Term, due 2029 (A) .....	350,000,000
One Hundred Sixtieth Series, 4%-5%, Serial/Term, due 2030-2039.....	300,000,000
One Hundred Sixty-first Series, 4.25%-5%, Serial/Term, due 2030-2039 .....	300,000,000
One Hundred Sixty-second Series, 2.375%-3.3%, Serial, due 2016-2020 .....	25,000,000
One Hundred Sixty-third Series, 2.375%-5%, Serial/Term, due 2017-2040 .....	400,000,000
One Hundred Sixty-fourth Series, 5.647%, Term, due 2040 (A) .....	425,000,000
One Hundred Sixty-fifth Series, 5.647%, Term, due 2040 (A) .....	425,000,000
One Hundred Sixty-sixth Series, 5%-5.25%, Serial/Term, due 2030-2041 .....	300,000,000
One Hundred Sixty-seventh Series, 5%-5.5%, Serial, due 2016-2028 (**)	173,040,000
One Hundred Sixty-eighth Series, 4.926%, Term, due 2051 (A).....	1,000,000,000
One Hundred Sixty-ninth Series, 4.5%-5%, Serial/Term, due 2016-2041 (**)	322,950,000
One Hundred Seventieth Series, 5%-5.25%, Term, due 2041 & 2043 (B).....	672,480,000
One Hundred Seventy-first Series, 4%-5%, Serial/Term, due 2030-2042.....	400,000,000
One Hundred Seventy-second Series, 3%-5%, Serial/Term, due 2016-2037.....	320,520,000
One Hundred Seventy-third Series, 3%-5%, Serial, due 2018-2032 .....	300,000,000
One Hundred Seventy-fourth Series, 4.458%, Term, due 2062 (A).....	2,000,000,000
One Hundred Seventy-fifth Series, 3%-5%, Serial/Term, due 2016-2042 .....	411,170,000
One Hundred Seventy-sixth Series, 0.85%-2.5%, Serial, due 2016-2022 (A).....	119,000,000
One Hundred Seventy-seventh Series, 3%-5%, Serial/Term, due 2016-2043 (**)	322,545,000
One Hundred Seventy-eighth Series, 5%, Serial/Term, due 2016-2043 (**)	453,385,000
One Hundred Seventy-ninth Series, 4%-5%, Serial/Term, due 2016-2043.....	866,750,000
One Hundred Eightieth Series, 3%-5%, Serial, due 2016-2021 .....	78,070,000
One Hundred Eighty-first Series, 4.96%, Term, due 2046 (A) .....	500,000,000
One Hundred Eighty-second Series, 5.31%, Term, due 2046 (A).....	500,000,000
One Hundred Eighty-third Series, 3%-5%, Serial/Term, due 2025-2044.....	400,000,000
One Hundred Eighty-fourth Series, 3%-5%, Serial/Term, due 2016-2039.....	346,705,000
One Hundred Eighty-fifth Series, 4%-5%, Serial, due 2016-2034 (**)	470,835,000
One Hundred Eighty-sixth Series, 4%-5%, Serial/Term, due 2016-2044 (**)	381,735,000
One Hundred Eighty-seventh Series, 2.529%-4.426%, Serial/Term, due 2020-2034 (A).....	250,000,000
One Hundred Eighty-eighth Series, 3%-5%, Serial, due 2016-2035 (**)	116,220,000
One Hundred Eighty-ninth Series, 2%-5%, Serial/Term, due 2016-2045.....	490,000,000
One Hundred Ninetieth Series, 5%, Serial, due 2026-2038 .....	160,000,000
One Hundred Ninety-first Series, 4.823%, Term, due 2045 (A) .....	250,000,000
One Hundred Ninety-second Series, 4.81%, Term, due 2065 (A).....	500,000,000
One Hundred Ninety-third Series, 1.5%-5%, Serial, due 2016-2035 (**)	305,440,000
One Hundred Ninety-fourth Series, 1.5%-5.25%, Serial/Term, due 2016-2055 .....	1,194,560,000
One Hundred Ninety-fifth Series, 1.45%-5%, Serial, due 2016-2036 (**) *	312,620,000
One Hundred Ninety-sixth Series, 2.125%-2.625%, Serial, due 2027-2034 (**) *	200,000,000
Total.....	<u>\$21,196,580,000</u>

(A) Subject to federal taxation.

(B) The entire series was acquired by the New York Liberty Development Corporation in connection with its issuance of the New York Liberty Development Corporation Liberty Revenue Bonds, Series 1WTC-2011 (Secured by Port Authority Consolidated Bonds).

<b>Equipment Notes</b> .....	\$ —
<b>Versatile Structure Obligations</b> .....	\$ —
<b>Commercial Paper Obligations</b> .....	\$ 453,675,000
<b>Variable Rate Master Notes</b> .....	\$ 77,900,000

\*This schedule has been adjusted to reflect the issuance of the Consolidated Bonds, One Hundred Ninety-fifth Series and the Consolidated Bonds, One Hundred Ninety-sixth Series.

The obligations noted with an "(\*\*)", as well as certain of the Equipment Notes, Commercial Paper Obligations and Variable Rate Master Notes, on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

\*\*\* The Port Authority anticipates applying a portion of the proceeds of the Consolidated Bonds, One Hundred Ninety-fifth Series towards the redemption of Consolidated Bonds, One Hundred Forty-third Series on or before June 15, 2016.

\*\*\*\* The Port Authority anticipates applying a portion of the proceeds of Consolidated Bonds, One Hundred Ninety-fourth Series towards the redemption of Consolidated Bonds, One Hundred Forty-fourth Series on October 1, 2016 and Consolidated Bonds, One Hundred Forty-eighth Series on August 15, 2017.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Appendix D-1**

**CERTAIN PROVISIONS  
OF THE TRUST INDENTURE**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



## CERTAIN PROVISIONS OF THE TRUST INDENTURE

*The following includes certain provisions of the Indenture and is not a full statement of the terms of such agreement. Accordingly, the following is qualified in its entirety by reference to such agreement and is subject to the full text of such agreement. A copy of such agreement is available, free of charge, upon request from the Borrower or the Trustee. Unless otherwise stated, any reference in this Official Statement to any agreement means such agreement and all schedules, exhibits and attachments thereto, as amended, supplemented or otherwise modified and in effect as of the date hereof. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.*

\* \* \*

**NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE WITNESSETH:** The Issuer, in consideration for the purchase of the Bonds by the Owners and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the Bonds and to secure the performance and observance of all the covenants and conditions set forth in the Bonds and this Indenture, has executed and delivered this Indenture and has pledged and assigned or has required to be pledged and assigned, and by these presents does pledge and assign unto the Trustee and to its successors and assigns forever and, subject to the Security Documents, for the benefit of the Owners, all of the following described property, franchises, rights and income, including any title or interest therein acquired after the date hereof (collectively, the “Trust Estate”).

### GRANTING CLAUSE

#### I

All moneys and obligations from time to time held by the Trustee under this Indenture and all other moneys or obligations which at such time are deposited or are required to be deposited with, or are held or required to be held by or on behalf of, the Trustee in trust under any of the provisions of this Indenture and any other right, title or interest which at such time is subject to the lien of this Indenture except for moneys or obligations (i) held in any Rebate Accounts established in connection with a Series of Bonds, or (ii) deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with Article VII hereof.

#### II

Any Security Interest granted to the Collateral Agent for the benefit of: (i) the Issuer, securing payment obligations of the Borrower under the Loan Agreements and the Series 2016 Notes and any additional Notes and (ii) the Trustee on behalf of the Owners of the Bonds (as a Secured Creditor), under the Security Documents or otherwise, including without limitation the Collateral pledged thereunder, and the present and continuing right of the Collateral Agent on behalf of the Trustee (as a Secured Creditor) to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Security Documents, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Collateral Agent on behalf of the Trustee (as a Secured Creditor) is entitled to do under such Security Documents.

### III

Subject to the Collateral Agency Agreement, the Issuer's rights with respect to and security interest in all funds deposited from time to time and earnings thereon in the Project Accounts, any and all other accounts established from time to time pursuant to the Collateral Agency Agreement as security for the Bonds, and any and all sub-accounts created thereunder, each held by the Collateral Agent under the Collateral Agency Agreement.

### IV

Any and all other property, revenues, rights or funds from time to time hereafter by delivery or by writing of any kind specifically granted, assigned or pledged as and for additional security for any of the Bonds or the Loan Agreements in favor of the Trustee (as a Secured Creditor) or the Collateral Agent on behalf of the Trustee (as a Secured Creditor), including any of the foregoing granted, assigned or pledged by the Borrower or any other Person on behalf of the Borrower, and the Trustee (as a Secured Creditor) and/or the Collateral Agent on behalf of the Trustee (as a Secured Creditor) is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The creation, perfection, enforcement, and priority of the pledge of the Trust Estate by the Issuer to secure or pay the Bonds as provided herein shall be governed by this Indenture. The Trust Estate pledged for the payment of the Bonds, as received by or otherwise credited to the Issuer, shall be subject to the lien of such pledge. The lien of such pledge shall be valid, binding, and enforceable as against all Persons having claims of any kind in tort, contract, or otherwise against the Issuer irrespective of whether such Persons have notice of such liens. All funds provided pursuant to the Collateral Agency Agreement for deposit into any Account of this Indenture will be available together with other moneys then on deposit in such Accounts to be used for the applicable purposes as set forth in this Indenture. If all Bonds Outstanding under this Indenture are discharged in accordance with Section 7.01 hereof, the right, title and interest of the Trustee and each Owner in and to the Trust Estate shall terminate and be discharged; otherwise this Indenture is to be and remain in full force and effect.

**THIS INDENTURE FURTHER WITNESSETH** and it is expressly declared, that the Trust Estate shall be held by the Trustee (or by the Collateral Agent on behalf of and for the benefit of the Trustee) for the equal and proportionate benefit of the Owners and any of them, without preference, priority or distinction as to lien or otherwise, except such preference and priority as is established herein between Senior Bonds, which includes the Series 2016 Bonds, and Subordinate Bonds (or as otherwise provided herein). When Bonds are issued, executed and delivered in accordance with the provisions of this Indenture, such Bonds will have been duly authorized, executed and delivered and will constitute the valid special, limited obligations of the Issuer, payable solely from and secured exclusively by the Trust Estate (including the Collateral pledged in favor of the Collateral Agent for the benefit of the Trustee), including the payments to be made by the Borrower under the Loan Agreements, and nothing in the Bonds or this Indenture shall be construed as assigning or pledging therefor any other funds or assets of the Issuer.

All covenants, stipulations, promises, agreements and obligations of the Issuer set forth herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the prepayment or Redemption Price, if any, of principal or interest on the Bonds or for any claim based thereon or hereunder against any member, officer or employee of the Issuer or any person executing the Bonds in his or her individual capacity

All Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said loan payments, 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 Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners, from time to time of the Bonds or any part thereof, as follows:

\* \* \*

**ARTICLE II**  
**AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF THE BONDS**

\* \* \*

Section 2.02. All Bonds Equally and Ratably Secured by Trust Estate Except as Expressly Provided Herein.

Except as otherwise expressly provided herein (including, without limitation, the Granting Clauses of this Indenture) and the differences set forth herein with respect to Senior Bonds and Subordinate Bonds, each Series of Bonds issued under this Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction on account of the date or dates or the actual time or times of the issue or maturity of such Series of Bonds, so that each Series of Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture, and shall all be equally and ratably secured hereby.

\* \* \*

Section 2.10. Other Obligations.

So long as any Bonds are Outstanding, the Issuer hereby covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a lien on all or any part of the Trust Estate established and created by or pursuant to this Indenture, except to the extent permitted by Section 2.13 or 2.14 of this Indenture and by the Loan Agreements.

\* \* \*

Section 2.13. Authorization of Additional Senior Bonds.

Additional Senior Bonds may be issued from time to time subject to the provisions of this Section. Each Series of additional Senior Bonds shall be designated as Senior Bonds.

(a) Subject to paragraph (b) below, in addition to the Series 2016 Bonds, and at the request of the Borrower, additional Senior Bonds may be delivered under and be equally and ratably secured by this Indenture on a parity with the Series 2016 Bonds and any other additional Senior Bonds Outstanding, at any time and from time to time while no Event of Default has occurred and is continuing under this Indenture, the Lease Agreement, and the Loan Agreements and no Enforcement Action is ongoing under the Collateral Agency Agreement.

(b) The Issuer shall not issue additional Senior Bonds unless it provides the Port Authority with prior written notice and the following additional requirements are satisfied:

(1) The Borrower has provided to the Trustee the following evidence indicating that, as of the date of issuance of such additional Senior Bonds (i) the Port Authority has provided prior written consent regarding the proposed issuance of additional Senior Bonds if required pursuant to the Lease Agreement, (ii) the Borrower is in compliance with the rate covenant set forth in the Loan Agreements, and (iii) a certificate from an Airport Consultant stating that, based upon reasonable assumptions, projected Project Revenues will be sufficient to satisfy the rate covenant set forth in the Loan Agreements (including the Senior Bonds proposed to be issued but excluding any Senior Bonds proposed to be refunded with the proceeds of the Additional Bonds) for each of the Fiscal Years following the issuance of the additional Senior Bonds to the final maturity of all outstanding Senior Bonds.

(2) The Borrower shall not be required to meet the requirements of Section 2.13(b)(1)(ii)-(iii) above in order to issue additional Senior Bonds if (i) the proposed additional Senior Bonds are deemed Completion Bonds and the aggregate principal amount of such Completion Bonds does not exceed 10% of the initial aggregate principal amount of the Series 2016 Bonds, (ii) the proceeds of the proposed additional Senior Bonds will be used exclusively to pay for the costs and expenses directly resulting from the Borrower's compliance with a Safety Compliance Order or a Directive Letter in accordance with the Lease Agreement, or (iii) the proposed additional Senior Bonds are to be issued to refund Outstanding Senior Bonds and the proposed additional Senior Bond issuance produces net present value savings to the Borrower.

#### Section 2.14. Authorization of Subordinate Bonds.

Subordinate Bonds may be issued from time to time subject to the provisions of this Section. Each Series of Subordinate Bonds shall be designated as Subordinate Bonds.

(a) Subject to the paragraph (b) below, at the request of the Borrower, Subordinate Bonds may be delivered under and be equally and ratably secured by this Indenture on a parity with any additional Subordinate Bonds Outstanding, at any time and from time to time while no Event of Default has occurred and is continuing under this Indenture, the Lease Agreement, and the Loan Agreements and no Enforcement Action is ongoing under the Collateral Agency Agreement; provided, however that the Subordinate Bonds shall be subordinate in right of payment to the Senior Bonds, including the Series 2016 Bonds and any other additional Senior Bonds Outstanding.

(b) The Issuer shall not issue Subordinate Bonds unless it provides the Port Authority with prior written notice and the following additional requirements are satisfied:

(1) The Borrower has provided to the Trustee evidence that the Port Authority has provided prior written consent regarding the proposed issuance of Subordinate Bonds if required pursuant to the Lease Agreement.

(2) The Borrower has provided Rating Confirmations with respect to any Outstanding Senior Bonds and any Outstanding Subordinate Bonds.

#### Section 2.15. Conditions to Issue Additional Bonds.

Before any Additional Bonds shall be delivered under the provisions of Sections 2.13 and 2.14, the following conditions shall occur:

(a) The Issuer shall authorize the issuance of such Additional Bonds, fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Bonds are being delivered or describing the Outstanding Bonds to be refunded.

(b) The Issuer shall authorize a Supplemental Indenture for the purpose of delivering such Additional Bonds and such Supplemental Indenture shall specify, among other matters, whether the Additional Bonds are Senior Bonds or Subordinate Bonds, the related debt service reserve requirement, if any, and redemption terms, and whether any additional accounts shall be established hereunder or under the Collateral Agency Agreement.

(c) Each Series of Additional Bonds that are issued as Senior Bonds shall be equally and ratably secured under this Indenture with the Series 2016 Bonds, and any other Series of Senior Bonds, without preference, priority or distinction of any Senior Bonds over any other Senior Bonds. Each Series of Additional Bonds that are issued as Subordinate Bonds shall be equally and ratably secured under this Indenture with any other Series of Subordinate Bonds, without preference, priority or distinction of any Subordinate Bonds over any other Subordinate Bonds. Unless provided otherwise in a Supplemental Indenture, all such Additional Bonds shall be in substantially the same form as the Series 2016 Bonds, but shall be of such denomination or denominations, bear such date or dates, bear interest at such rate or rates, have such maturity date or dates, redemption dates and redemption premiums, contain an appropriate series designation, including the designation of Senior Bonds or Subordinate Bonds, and be delivered at such prices as shall be designated in a Supplemental Indenture and approved by the Issuer.

(d) The Trustee shall execute and deliver Additional Bonds substantially in the same form and manner set forth for the Series 2016 Bonds in this Article, but prior to or simultaneously with the execution and issuance of such Additional Bonds by the Issuer, there shall be filed with the Trustee the following:

(1) A certified copy of the resolution of the Issuer authorizing the issuance of such Additional Bonds.

(2) A certificate of the Borrower stating that as of the date of such issuance no event or condition has happened or existed and is continuing, or is happening or existing, which constitutes, or which, with notice or lapse of time or both, would constitute an Event of Default under this Indenture, the Lease Agreement, and the Loan Agreements or an Enforcement Action under the Collateral Agency Agreement.

(3) The written consent of the Borrower to the issuance of Additional Bonds and a certificate of the Issuer that no event or condition has happened or existed and is continuing, or is happening or existing, which constitutes, or which, with notice or lapse of time or both, would constitute, an Event of Default under the Indenture or the Loan Agreements.

(4) Notice to and written consent of the Port Authority, if required by the Lease Agreement.

(5) An original executed counterpart of the Supplemental Indenture.

(6) An executed counterpart to the supplement to the Loan Agreements and the respective Note related to such Additional Bonds.

(7) A request and authorization to the Trustee by the Issuer to authenticate the Additional Bonds and deliver said Additional Bonds to or upon the order of the purchaser(s)

therein identified upon payment to the Trustee, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the name(s) of the purchaser(s) and the amount of such purchase price.

(8) In the case of Additional Bonds being delivered to refund Outstanding Senior Bonds or Subordinate Bonds, such additional documents as shall be reasonably required by the Trustee to evidence that provision has been duly made in accordance with the provisions of Article VII herein for the payment of the Senior Bonds or Subordinate Bonds to be refunded.

(9) An Opinion of Bond Counsel to the effect that the issuance of such Additional Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Additional Bonds have been fulfilled, and that the Additional Bonds are valid and binding obligations of the Issuer in accordance with their terms.

(10) Such other certificates, statements, receipts, opinions and documents as the Trustee shall reasonably require for the issuance of such Additional Bonds.

When the documents specified in this subsection have been filed with the Trustee, the Trustee shall authenticate and deliver such Additional Bonds to or upon the order of the purchasers thereof, but only upon payment of the purchase price of such Additional Bonds. The proceeds of the sale of such Additional Bonds, except Additional Bonds delivered to refund Outstanding Bonds, including accrued interest and premium thereon, if any, paid over to the Trustee shall be deposited and applied by the Trustee as provided herein and in the Supplemental Indenture authorizing the issuance of such Additional Bonds. The proceeds of all Additional Bonds delivered to refund Outstanding Senior Bonds or Subordinate Bonds shall be deposited by the Trustee, after payment or making provision for payment of all expenses incident to such financing, to the credit of a special trust fund, appropriately designated, to be held in trust for the exclusive purpose of paying the principal of, interest and premium, if any, on the Senior Bonds or Subordinate Bonds to be refunded, as provided in Article VII herein and in the Supplemental Indenture authorizing the issuance of such refunding Additional Bonds.

#### Section 2.16. Limitation on Issuer's Liability.

Anything in this Indenture, the Bonds, the Loan Agreements or any other Security Document to the contrary notwithstanding, any obligations of the Issuer under this Indenture, the Bonds, the Loan Agreements or related document for the payment of money shall not subject the Issuer to any pecuniary or other liability nor create a debt of the State (or any political subdivision or public benefit corporation).

\* \* \*

#### Section 2.18. Denominations, Medium, Method and Place of Payment and Dating of Bonds.

(a) The Bonds shall be issued in the form of fully registered Bonds in Authorized Denominations. The principal and Redemption Price, if any, of and interest on the Bonds shall be payable in lawful money of the United States of America.

(b) Except as may be specifically set forth herein, the Trustee, the Borrower and the Issuer may treat the Owner of a Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and the Trustee, the Borrower and the Issuer shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and redemption premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and

discharge the liability of such Bond to the extent of the sum or sums so paid. All Bonds at maturity or on earlier redemption paid pursuant to the provisions of this Section shall be cancelled by the Trustee.

(c) The Bonds shall be dated their respective dates of authentication and delivery thereof and shall each bear interest at the applicable rate or rates during each applicable Interest Accrual Period until the entire principal amount of the Bonds has been paid.

(d) The principal of the Bonds of a Series shall become due and payable on its Principal Payment Dates. The principal or Redemption Price of the Bonds shall be payable by check or wire transfer to the Holders of such Series of Bonds at the Maturity Date or Redemption Date upon presentation and surrender of the Bonds of such Series at the designated corporate trust office of the Trustee. The interest payable on the Bonds of a Series on any Interest Payment Date shall be paid by the Trustee to the Holders of such Series of Bonds appearing on the registration books maintained by the Trustee as Bond Registrar at the close of business on the Record Date for such interest, and shall be paid (1) by check mailed to such Holders at their address as it appears on such registration books or at such other address furnished in writing by such Holders to the Trustee, or (2) at the written request addressed to the Trustee by any Holder of Bonds, or unless otherwise provided in any writing with or from the Securities Depository, by electronic wire transfer in immediately available funds for credit to the bank routing number and account number filed with the Trustee no later than a Record Date for any interest payment.

(e) Interest on any Bond that is due and payable but not paid on the date due (“Defaulted Interest”) shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on a special record date (the “Special Record Date”) for the payment of such Defaulted Interest, which Special Record Date shall be fixed in the following manner. The Collateral Agent shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment; money deposited with the Trustee shall be held in trust for the benefit of the Owners of the Bonds entitled to such Defaulted Interest as provided in this Section. Following receipt of such funds the Trustee shall fix the Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt of such funds by the Trustee. The Trustee shall promptly notify the Borrower of such Special Record Date and, in the name and at the expense of the Borrower, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be delivered via Electronic Means if the Bonds are held in the Book-Entry System, or mailed first class postage prepaid, to each Owner of a Bond entitled to such notice at the address of such Owner as it appears on the bond registration books not less than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Bond of the same Series shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond, and each such Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such registration of transfer or exchange.

\* \* \*

**ARTICLE IV  
ESTABLISHED ACCOUNTS**

Section 4.01. Establishment of Accounts.

There is hereby created and established with the Trustee the following Accounts:

(a) The “Series 2016 Senior Bond Payment Account,” and within the Series 2016 Senior Bond Payment Account, six sub-accounts designated (i) the “Series 2016A Senior Bond Interest Payment Sub-Account” (the “Series 2016A Senior Bond Interest Payment Sub-Account”), (ii) the “Series 2016A Senior Bond Principal Payment Sub-Account” (the “Series 2016A Senior Bond Principal Payment Sub-Account”), (iii) the “Series 2016B Senior Bond Interest Payment Sub-Account” (the “Series 2016B Senior Bond Interest Payment Sub-Account”), (iv) the “Series 2016B Senior Bond Principal Payment Sub-Account” (the “Series 2016B Senior Bond Principal Payment Sub-Account”), (v) the “Series 2016A Senior Bond Redemption Payment Sub-Account” (the “Series 2016A Senior Bond Redemption Payment Sub-Account”), and (vi) the “Series 2016B Senior Bond Redemption Payment Sub-Account” (the “Series 2016B Senior Bond Redemption Payment Sub-Account”); and

(b) The Rebate Account (the “Series 2016 Rebate Account”).

Notwithstanding anything herein to the contrary, the Trustee may from time to time hereafter establish and maintain additional funds, accounts or subaccounts necessary or useful in connection with any other provision of this Indenture or any Supplemental Indenture or to the extent deemed necessary by the Trustee.

Section 4.02. Series 2016 Senior Bond Payment Account.

(a) There shall be deposited into the appropriate sub-account of the Series 2016 Senior Bond Payment Account: (i) amounts remitted or transferred to such sub-account pursuant to various provisions of the Collateral Agency Agreement; and (ii) any moneys deposited into such sub-account pursuant to Section 8.05 hereof and all other moneys received by the Trustee that are accompanied by directions that such moneys are to be deposited into such sub-account.

(b) If on any Interest Payment Date the funds on deposit in the Series 2016A Senior Bond Interest Payment Sub-Account are not sufficient to pay the Interest Payment in full on such Interest Payment Date, the Trustee shall transfer moneys from the Series 2016A Senior Bond Principal Payment Sub-Account sufficient to make such payment. If on any Debt Service Payment Date there exists both (i) funds on deposit in the Series 2016A Senior Bond Interest Payment Sub-Account in excess of the amount necessary to pay the Interest Payment due on such date, and (ii) insufficient funds on deposit in the Series 2016A Senior Bond Principal Payment Sub-Account to make the principal payment due on such date in full, the Trustee shall transfer all or such portion of such excess funds on deposit in the Series 2016A Senior Bond Interest Payment Sub-Account to the Series 2016A Senior Bond Principal Payment Sub-Account as necessary to provide for such principal payment in full.

(c) If on any Interest Payment Date the funds on deposit in the Series 2016B Senior Bond Interest Payment Sub-Account are not sufficient to pay the Interest Payment in full on such Interest Payment Date, the Trustee shall transfer moneys from the Series 2016B Senior Bond Principal Payment Sub-Account sufficient to make such payment. If on any Debt Service Payment Date there exists both (i) funds on deposit in the Series 2016B Senior Bond Interest Payment Sub-Account in excess of the amount necessary to pay the Interest Payment due on such date, and (ii) insufficient funds on deposit in the Series 2016B Senior Bond Principal Payment Sub-Account to make the principal payment due on such date in full, the Trustee shall transfer all or such portion of such excess funds on deposit in the Series 2016B



Senior Bond Interest Payment Sub-Account to the Series 2016B Senior Bond Principal Payment Sub-Account as necessary to provide for such principal payment in full.

Section 4.03. Series 2016 Rebate Account.

(a) The Series 2016 Rebate Account shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation, the Owners. The Series 2016 Rebate Account is established for the purpose of complying with Section 148 of the Code and the Treasury Regulations promulgated pursuant thereto. There shall be deposited into the Series 2016 Rebate Account the Rebate Amount, if required, pursuant to subsection (b) below, and the Collateral Agent shall transfer such Rebate Amount upon the request of the Trustee pursuant the Collateral Agency Agreement. The money deposited in the Series 2016 Rebate Account, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in the Tax Certificate. The Series 2016 Rebate Account is not a portion of the Trust Estate and is not subject to any lien under this Indenture. Notwithstanding the foregoing, the Trustee with respect to the Series 2016 Rebate Account is afforded all the rights, protections and immunities otherwise accorded to it hereunder. Notwithstanding anything contained in this Indenture to the contrary, neither the Issuer nor the Trustee shall be responsible or liable for any loss, liability or expense incurred as a result of the failure of the Borrower to fulfill its obligation with respect to the calculation and payment of the Rebate Amount. The Issuer and the Trustee shall be entitled to rely conclusively upon the calculations provided by the Borrower.

(b) The Trustee at the written direction of the Issuer shall apply or cause to be applied the Rebate Amount in the Series 2016 Rebate Account at the times and in the amounts required by Section 148 of the Code solely for the purpose of paying the United States of America in accordance with Section 148 of the Code. The provisions concerning the calculation and payment of the required Rebate Amount are set forth in the Tax Certificate, and such cost relating to the calculation of the Rebate Amount shall be paid by the Borrower pursuant to the Collateral Agency Agreement.

(c) The Rebate Amount held in the Series 2016 Rebate Account shall be invested in Eligible Investments in accordance with Article VI hereof. The interest earned on moneys or investments in the Series 2016 Rebate Account shall be retained in the Series 2016 Rebate Account. The Rebate Amount held in the Series 2016 Rebate Account shall be held by the Trustee for a period of not less than seventy-five (75) days following the redemption or final maturity of the Bonds.

Section 4.04. Moneys to be Held in Trust.

The Series 2016 Senior Bond Payment Account and any other sub-account created hereunder (excluding the Series 2016 Rebate Account), shall be held by the Trustee, for the benefit of the Owners of each respective Series of Bonds in accordance with the provisions of this Indenture except that in the event of an acceleration of the Series 2016 Senior Bonds upon the occurrence of and during the continuance of an Event of Default (beyond any applicable cure or grace period), such amounts (other than amounts received from the applicable Debt Service Reserve Sub-Account established under the Collateral Agency Agreement) shall be applied in accordance with the provisions of paragraphs (b) and (c) of Section 8.05 hereof and the provisions of the Collateral Agency Agreement governing enforcement of remedies by the Collateral Agent. The Series 2016 Rebate Account shall be held by the Trustee for the purpose of making payments to the United States pursuant to Section 4.03 hereof.

## ARTICLE V

### PARTICULAR COVENANTS

Section 5.01. Issuer'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 V, is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall not create a debt of the State (or any political subdivision or public benefit corporation), and the State shall not be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor but shall be payable by the Issuer solely from the Trust Estate including the payments made by the Borrower under the Loan Agreements and the Series 2016 Notes and any additional Notes, and the revenues and receipts pledged to the payment thereof in the manner and to the extent in this Indenture specified, and nothing in the Bonds, in the Loan Agreements, in the Series 2016 Notes and any additional Notes, in this Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Issuer.

Section 5.02. Payment of Principal and Interest. The Issuer covenants that it will from the sources herein contemplated promptly pay or cause to be paid the principal of and redemption premium, if any, and interest on the Bonds, at the place, on the dates and in the manner provided in this Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Issuer contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of or redemption premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any such member, officer, director, employee or agent or against any natural person executing the Bonds. None of the Bonds, the principal thereof and the interest or redemption premium, if any, thereon shall ever constitute a debt of the State, the Port Authority, JDA, the New York Job Development Authority, the New York State Urban Development Corporation (d/b/a Empire State Development) or any agency, authority or political subdivision of the State (other than the Issuer) and neither the State nor any such other entity shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. The Issuer shall not be required under this Indenture or the Loan Agreements or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the loan payments, revenues and receipts pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

Section 5.03. Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The Issuer represents and warrants that it is duly authorized under the Act and the laws of the State to issue the Bonds authorized hereby and to execute this Indenture, to make the loan pursuant to the Loan Agreements and the Series 2016 Notes and any additional Notes, to assign the Loan Agreements, the Series 2016 Notes and any additional Notes, and the Leasehold Mortgages, and to pledge the Trust Estate including the loan payments made by the Borrower under the Loan Agreements and the Series 2016 Notes and any additional Notes, hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special limited obligations of the Issuer according to the import thereof.

\* \* \*

Section 5.05. Loan Agreements. It is understood and agreed that the Issuer has, pursuant to the Loan Agreements, made a loan to the Borrower in an amount equal to the principal amount of the Bonds. Executed copies of the Loan Agreements and of the Series 2016 Notes and any additional Notes will be on file in the office of the Issuer and in the designated corporate trust office of the Trustee. Reference is hereby made to the Loan Agreements 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 Borrower under the Loan Agreements shall be enforceable either by the Issuer or by the Trustee, to whom (in the case of the Trustee, in its own name as Trustee or in the name of the Issuer), is hereby granted the right (to the extent provided therefor in this Section 5.05 and, subject to the provisions of Section 9.02 hereof and the terms of the Collateral Agency Agreement), to enforce all rights of the Issuer and all obligations of the Borrower under the Loan Agreements, whether or not the Issuer is enforcing such rights and obligations. The Trustee shall take such action in respect of any matter as is provided to be taken by it in the Loan Agreements, upon compliance or noncompliance by the Borrower and the Issuer with the provisions of the Loan Agreements relating to the same, subject to the terms hereof.

Section 5.06. Creation of Liens; Indebtedness. The Issuer shall not create, incur, assume or permit to exist any indebtedness of the Issuer with respect to the Trust Estate pledged under this Indenture, other than the Series 2016 Bonds, unless the Borrower shall request the Issuer to issue the Additional Bonds pursuant to Sections 2.13 and 2.14 hereof.

\* \* \*

Section 5.08. Security Agreement; Filing.

(a) This Indenture constitutes a “security agreement” within the meaning of the New York State Uniform Commercial Code-Secured Transactions. The security interest of the Trustee as created by this Indenture, in the rights and other intangible interests described herein, shall be perfected by the filing of financing statements by the Borrower at the direction of the Issuer (at the sole cost and expense of the Borrower) in the office of the Secretary of State of the State in the City of Albany, New York, which financing statements shall be in accordance with the New York State Uniform Commercial Code-Secured Transactions. Subsequent to the foregoing filings, financing and continuation statements shall be filed and re-filed by the Trustee whenever such action is necessary to preserve the lien and security interest hereof. Any such filings or re-filings shall be prepared by the Borrower and delivered to the Trustee (if electronic filing is not elected by the Issuer) on a timely basis accompanied by any fees or requisite charges. The Trustee will thereupon effect any such filings and re-filings of financing and continuation statements in said office of the Secretary of State, and promptly notify the Borrower of any such filings.

(b) The Issuer and the Trustee acknowledge that, as of the Issue Date for the Series 2016 Bonds:

1. Section 9-515(b) of the New York State Uniform Commercial Code-Secured Transactions provides that an initial financing statement filed in connection with a “public-finance transaction” is effective for a period of 30 years after the date of filing if such initial financing statement indicates that it is filed in connection with a public finance transaction;

2. Section 9-102(67) of the New York State Uniform Commercial Code-Secured Transactions defines a public-finance transaction as a secured transaction in connection with which, in substance, (x) bonds are issued, (y) all or a portion of the bonds have an initial stated maturity of at least 20 years, and (z) the debtor, obligor, secured party or assignee with respect to the collateral or secured obligation is a governmental unit of a state (as such term is defined therein);

3. The Issuer represents that it is a “governmental unit of a state” as such term is defined in Section 9-102(45) of the New York State Uniform Code - Secured Transactions; and

4. Subject to any future change in law, the initial financing statement as shall be filed with respect to the security interest described above shall therefore have an effective period of thirty (30) years after the date of filing, for the purpose of determining the date by which continuation statements shall be filed.

(c) Subsequent to the initial filings, if it is necessary to re-file financing statements and/or file continuation statements and/or take any other actions to preserve the lien and security interest of the Indenture (individually or collectively, the “Continuation Action(s)”), then the Borrower in a timely manner shall: (A) as applicable, (i) prepare and deliver to the Trustee all necessary instruments and filing papers, together with remittances equal to the costs of required filing fees and other charges, so that the Trustee may perform the Continuation Actions, or (ii) electronically perform the Continuation Actions and deliver to the Trustee written certification (upon which the Trustee may conclusively rely) that such performance has occurred, specifying the Continuation Actions performed, or (iii) perform some of the Continuation Actions in the manner described in clause “(i)” and the others in the manner described in clause “(ii)”; and (B) if requested by the Trustee or the Issuer, deliver or cause to be delivered to the Issuer and the Trustee the Opinion of Counsel to the Borrower as described below. The Trustee may conclusively rely upon (y) when applicable, the certification referred to in clause “(A)(ii),” and (z) in all instances, the Opinion of Counsel to the Borrower. In the event the Borrower chooses to have the Trustee perform all or some of the Continuation Actions, as provided in clause “(A)(i),” the Trustee shall reasonably promptly perform such Continuation Actions at the Borrower’s sole expense. The Borrower shall perform the obligations described hereinabove in clauses “(A)” (in every case) and “(B)” (if so requested) no later than ten (10) days prior to (i) thirtieth (30<sup>th</sup>) anniversary of the Closing Date, and/or (ii) the date (not covered by clause “(i)”) on which a Continuation Action is to be taken to preserve the lien and security interest of the Indenture.

If an Opinion of Counsel to the Borrower is requested pursuant to clause “(B),” then the Opinion of Counsel to the Borrower shall be addressed to the Borrower, the Issuer and the Trustee. If so requested, the Borrower shall deliver successive Opinions of Counsel in respect of (i) the thirtieth (30<sup>th</sup>) anniversary of the Closing Date, and/or (ii) the date of any required Continuation Action not covered by clause “(i),” in each case not later than fifteen (15) days prior to the date on which a Continuation Action is required to be taken. In the Opinion of Counsel to the Borrower, counsel shall opine as to: (i) what Continuation Actions are necessary; and (ii) the deadline dates for the required Continuation Actions; and (iii) the jurisdictions in which the Continuation Actions must be effected. Counsel in such opinion shall additionally opine that, upon performance of the Continuation Actions by, as the case may be, (i) the Trustee with instruments and papers prepared by the Borrower, or (ii) the Borrower through electronic filing, or (iii) the Trustee as to some Continuation Actions, and the Borrower as to the others through electronic filings, all appropriate steps shall have been taken on the part of the Borrower, the Issuer and the Trustee then requisite to the maintenance of the perfection of the security interest of the Trustee in and to all property and interests which by the terms of the Indenture are to be subjected to the lien and security interest of this Indenture.

(d) Any filings with respect to Uniform Commercial Code financing statements may be made electronically, and the Issuer shall have the right to designate a company (which shall be reasonably acceptable to the Trustee) to facilitate the filing of Uniform Commercial Code financing statements.

(e) The Trustee acknowledges and agrees (on behalf of itself and the Bondholders) that neither the Issuer, nor any of its directors, members, officers, employees, servants, agents, persons under its control or supervision, or attorneys (including Bond Counsel to the Issuer), nor any of the Borrower’s

directors, members, officers, employees, servants, agents, persons under their control or supervision, or attorneys, shall have any responsibility or liability whatsoever related in any way to the filing or re-filing of any Uniform Commercial Code financing statements or continuation statements, or the perfection or continuation of perfection of any security interests, or the recording or rerecording of any document, or the failure to effect any act referred to in this Section, or the failure to effect any such act in all appropriate filing or recording offices, or the failure of sufficiency of any such act so effected.

(f) 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 Borrower.

Section 5.09. Reporting between the Trustee and the Collateral Agent.

Any reports or notices required to be given hereunder or pursuant to any Supplemental Indenture from the Trustee to the Collateral Agent, may be deemed by the Collateral Agent to be delivered to the Collateral Agent without any further action on the part of the Trustee, as long as the Trustee and the Collateral Agent are the same entity.

Section 5.10. Issuer Tax Covenant.

The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Borrower or the Trustee that would cause the interest on the Series 2016A Bonds or any other Tax-Exempt Bonds to become includable in gross income for federal income tax purposes; provided, however, that the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance. Notwithstanding any other provision of this Indenture to the contrary, so long as it is necessary to maintain the exclusion of interest on the Series 2016A Bonds or any other Tax-Exempt Bonds from gross income for federal income tax purposes, the covenants contained in this Section shall survive the payment of the Series 2016A Bonds or any other Tax-Exempt Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 7.01 of this Indenture.

Section 5.12. Arbitrage Covenants.

The Issuer covenants and certifies to and for the benefit of the owners of the Tax-Exempt Bonds Outstanding that money on deposit in any Account or Subaccount in connection with the Tax-Exempt Bonds, whether or not such money was derived from proceeds of the sale of the Tax-Exempt Bonds or from any other source, will not be used in a manner which will cause the Tax-Exempt Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code or "hedge bonds" under Section 149(g) of the Code or otherwise cause the interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes. Pursuant to such covenant, the Issuer obligates itself to comply throughout the term of the Tax-Exempt Bonds with the requirements of Section 148 of the Code, as provided in the Tax Certificate. Further, the Issuer shall make or cause to be made any and all payments required to be made to the United States Department of the Treasury in connection with the Tax-Exempt Bonds pursuant to Code Section 148(f) from amounts made available for such purpose by the Borrower. The Issuer shall keep, or cause to be kept, accurate records of each investment property (as that term is defined in Section 148 of the Code) acquired, directly or indirectly, with the proceeds of the Tax-Exempt Bonds. Notwithstanding any other provision of this Indenture to the contrary, so long as necessary 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 payment of the Tax-Exempt Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 7.01 of this Indenture. Notwithstanding any provision of this Section 5.12, if the Issuer obtains a Favorable Opinion of Bond Counsel to the effect that any action required under this Section 5.12 is no

longer required or that some further action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds, the Issuer may rely conclusively on such Opinion in complying with the requirements of this Section 5.12, and the covenants contained herein shall be deemed modified to that extent.

Section 5.13. Notices, Etc.

The Trustee shall promptly deliver to the Issuer, the Borrower and the Collateral Agent:

- (a) any notice provided to it by the Borrower under the terms of the Loan Agreements;
- (b) written notice of the occurrence of any Event of Default under this Indenture (with a description of any action being taken or proposed to be taken with respect thereto), including any payment defaults under Section 8.01(a) or (b) hereof and any Loan Agreements Default; and
- (c) written notice of any Security Interest placed on, or any claim against, the Trust Estate (other than the Security Interests created under this Indenture or the other Financing Documents or any other Permitted Security Interest) to the extent it has knowledge thereof. In addition to the above means of giving notice, the Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to (and in accordance with) this Indenture and delivered using Electronic Means; provided, however, that the Borrower shall provide to the Trustee an incumbency certificate listing persons with the authority to provide such Instructions (“Authorized Persons”) and containing specimen signatures of such Authorized Persons, which incumbency certificate shall be amended by the Borrower whenever a person is to be added or deleted from the listing. If the Borrower elects to give the Trustee any Instructions using Electronic Means, and the Trustee, in its discretion, elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Borrower understands and agrees that if the Trustee cannot determine the identity of the actual sender of such Instructions, the Trustee may conclusively presume that directions that purport to have been sent by an Authorized Person listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Persons. The Borrower shall be responsible for ensuring that only Authorized Persons transmit such Instructions to the Trustee and that the Borrower and all Authorized Persons are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Borrower. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Borrower agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Borrower; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

\* \* \*

## ARTICLE VII

### DISCHARGE OF INDENTURE

#### Section 7.01. Discharge of this Indenture.

(a) If, when the Bonds secured hereby shall be paid in accordance with their terms (or payment of the Bonds has been provided for in the manner set forth in the following paragraph), and the fees and expenses of the Trustee and the Issuer due in connection with the payment of the Bonds and all other sums payable hereunder shall have been paid or provided for in accordance with the provisions of this Section 7.01, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the written request of the Issuer, the Trustee shall execute such documents as may be reasonably required to evidence the discharge of this Indenture and shall turn over any surplus in any Account as the Authorized Borrower Representative shall direct in writing, except as otherwise provided herein.

(b) Payment of any Outstanding Bond (or portion thereof) shall, prior to the maturity or redemption date thereof, be deemed to have been provided for within the meaning and with the effect expressed in this Section if (i) in the case said Bond (or portion) is to be redeemed on any date prior to its maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of said Bonds in accordance with the provisions of the Indenture, (ii) there shall have been irrevocably deposited with the Trustee in trust either cash in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the cash, if any, deposited with or held by the Trustee, at the same time, shall be sufficient to pay when due the principal of and redemption premium, if any, and interest due and to become due on said Bond (or portion) on and prior to the Redemption Date or Maturity Date thereof, as the case may be, (iii) there shall have been filed with the Trustee and the Issuer, (x) a report of a firm of nationally recognized independent certified public accountants, acceptable to the Trustee and the Issuer, confirming the arithmetical accuracy of the computations showing the cash or Defeasance Obligations, the principal of and interest on which when due, without reinvestment, together with cash, if any, deposited at the same time will be sufficient to pay when due, the principal and redemption premium, if any, and interest due or to become due on such Bond (or portion), on and prior to the Redemption Date or Maturity Date thereof, as the case may be and (y) a Favorable Opinion of Bond Counsel, acceptable to the Trustee and the Issuer, to the further effect that upon provision for the payment of the principal of and redemption premium, if any, and interest due or to become due on such Bonds, the pledge of moneys and securities hereunder and the grant of all rights to the Owners of such Bonds hereunder shall be discharged and satisfied, and (iv) the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee, and that, with respect to such Bonds, the pledge of this Indenture has been released and discharged, except as otherwise herein provided, and that payment of said Bond (or portion) has been provided for in accordance with this Section and stating such Maturity Date or Redemption Date upon which moneys are to be available for the payment of the principal of and redemption premium, if any, and interest on said Bond (or portion). At such time as payment of any Bond (or portion) has been provided for as aforesaid, such Bond (or portion) shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of any payment from such moneys or securities deposited with the Trustee.

(c) The release of the obligations of the Issuer under this Section shall be without prejudice to the right of the Trustee to be paid by the Borrower compensation for all services rendered by it

hereunder and all its expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of its powers and duties hereunder.

## ARTICLE VIII

### DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following is hereby defined as and shall be deemed an “Event of Default”:

(a) Default in the payment of the principal of or redemption premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, or through failure to satisfy any Sinking Fund Requirement, or upon redemption or otherwise;

(b) Default in the payment of any interest on any Bond when the same shall become due and payable;

(c) Default shall be made in the observance or performance of any covenant, agreement or other provision in the Bonds or this Indenture contained (other than as referred to in (a) or (b) of this Section) and such default shall continue for a period of thirty (30) days after written notice to the Issuer, the Borrower and the Trustee from the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding or from the Trustee specifying such default and requiring the same to be remedied, provided, with respect to any such failure covered by this subsection (c), no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such thirty (30) day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby;

(d) The occurrence of an “Event of Default” under and as defined in the Loan Agreements that continues beyond any grace or cure period provided for under the applicable Loan Agreement;

The Trustee shall, within thirty (30) days of the occurrence of an Event of Default or of any event of which the Trustee is required to take notice and which would result in an Event of Default with the passage of time or the giving of notice, notify the Issuer, the Borrower, the Collateral Agent, and all Bondholders of the occurrence of such Event of Default or such other event.

Section 8.02. Remedies on Events of Default.

(a) *Transfer of Funds under the Collateral Agency Agreement*. If such an Event of Default as described in Section 8.01(a) or (b) has occurred and is continuing, without further demand or notice, the Trustee may request the Collateral Agent to transfer immediately available funds in the Project Accounts to the Sub-Accounts in the Senior Bond Payment Account and the Sub-Accounts in the Senior Bond Redemption Account for each Series of Bonds, as applicable, as provided in the Collateral Agency Agreement, and the Trustee shall deposit any moneys received as a result of such action in the Sub-Accounts in the Senior Bond Payment Account and the Senior Bond Redemption Account for each Series of Bonds, as applicable.

(b) *Legal Proceedings and Acceleration*. The Trustee may, at the written direction of the Holders of a majority in aggregate principal amount of Senior Bonds Outstanding, (1) bring such suits, actions or proceedings at law or in equity to enforce the rights of the Bondholders, and require the Issuer or the Borrower or either or both of them to carry out the agreements with or for the benefit of the Bondholders, and to perform its or their duties, under this Indenture and the other Issuer Documents, or



(2) by written notice to the Issuer, the Borrower and the Collateral Agent, declare the principal of the Bonds to be immediately due and payable, whereupon the principal of the Bonds and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. The Trustee may also, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(c) *Suit for Judgment on the Bonds.* The Trustee shall be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture, for the enforcement of any of its rights, or the rights of the Bondholders hereunder, but any such judgment against the Issuer shall be enforceable only against the Trust Estate. No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of this Indenture or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the Owners of the Bonds, but such lien, rights, powers and remedies of the Trustee and of the Bondholders shall continue unimpaired as before.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.

If any Event of Default shall have occurred and if requested by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and the Trustee is indemnified as provided in Section 9.02 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel (with such counsel being obtained at the expense of the Borrower), shall deem most expedient in the interests of the Bondholders.

(d) *Cure Rights of Borrower.* Pursuant to the Loan Agreements, the Issuer has granted to the Borrower full authority for the account of the Issuer to perform any covenant or obligation of the Issuer, the non-performance of which is alleged in any notice received by the Borrower to constitute a default hereunder, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution. The Trustee agrees to accept such performance by the Borrower as performance by the Issuer.

(e) *The Collateral Agency Agreement.* The Trustee shall be entitled to deliver all notices, instructions, directions, and otherwise exercise all of the Trustee's rights under the Collateral Agency Agreement (including, without limitation, the right to deliver a Direction Notice under the Collateral Agency Agreement directing the Collateral Agent to deliver an activation notice under the Account Control Agreement). The Trustee may direct the Collateral Agent with respect to the exercise of rights and remedies and such matters as are described in subsections (a), (b) and (c) of this Section as it relates to the Collateral held pursuant to the Collateral Agency Agreement, and may further direct the Collateral Agent as to application of Funds, Accounts and application of such Collateral.

(f) *Exercise of All Legal Remedies.* Subject to the Collateral Agency Agreement, the Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Owners (including in respect of the Trust Estate).

#### Section 8.03. Majority Bondholders May Control Proceedings.

The Owners of a majority in aggregate principal amount of the Senior Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings

to be taken in connection with the enforcement of the terms and conditions of this 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 hereof. The Trustee shall not be required to act on any direction given to it pursuant to this Section unless indemnified as provided in Section 9.02 hereof.

Section 8.04. Rights and Remedies of Bondholders.

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has notice, and such default shall have become an Event of Default and the Owners of a majority in aggregate principal amount of Senior Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and unless they have also offered to the Trustee indemnity as provided in Section 9.02 hereof and unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request, offer of indemnity and consent are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture and the Trustee does not have an affirmative duty to ascertain whether or not such actions are so unduly prejudicial by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and, except as otherwise provided herein, for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Owner of Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of and redemption premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, redemption premium, if any, Sinking Fund Requirement and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed.

Section 8.05. Application of Moneys. All moneys received or held by the Trustee from the Collateral Agent pursuant to and in accordance with the Collateral Agency Agreement, this Indenture, and the other Security Documents shall (subject to the terms of the Granting Clauses of this Indenture) after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys and the expenses, liabilities and advances incurred or made by the Trustee have been paid in full (the "Trustee Collection Costs") and all fees and expenses due to the Trustee hereunder ("Trustee Fees"), be deposited into the respective Bond Payment Sub-Accounts for the Bonds, including the Series 2016 Senior Bond Payment Account. All moneys so deposited into the respective Bond Payment Sub-Accounts for the Bonds, including the Series 2016 Senior Bond Payment Account, shall be applied as follows (provided, however, that any moneys held for non-presented Bonds under Section 4.04 or Section 11.12 hereof shall only be applied to the payment of such Bonds without reduction for Trustee Collection Costs or Trustee Fees):

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied:

*First*, To deposit in the Rebate Account any deficiency of amounts required to be deposited therein.

*Second*, To the payment to the Persons entitled thereto of all installments of interest then due on the Senior Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Senior Bonds;

*Third*, To the payment to the Persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Senior Bonds which shall have become due (other than Senior Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on the unpaid principal of and redemption premium, if any, on such Senior Bonds from the respective dates upon which they became due, at a rate borne by the Senior Bonds and, if the amount available shall not be sufficient to pay in full Senior Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Senior Bonds;

*Fourth*, To the payment to the Persons entitled thereto of all installments of interest then due on the Subordinate Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Subordinate Bonds; and

*Fifth*, To the payment to the Persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Subordinate Bonds which shall have become due (other than Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on the unpaid principal of and redemption premium, if any, on such Subordinate Bonds from the respective dates upon which they became due, at a rate borne by the Subordinate Bonds and, if the amount available shall not be sufficient to pay in full Subordinate Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Subordinate Bonds.

(b) If the principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied (subject to the terms of the Granting Clauses of this Indenture and to the proviso set forth in the first paragraph of this Section 8.05) *first*: to deposit in the Rebate Account any deficiency of amounts required to be deposited therein, *second*: to the payment to the Persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Bonds, and *third*: to the payment of the principal of the Senior Bonds, ratably, to the Persons entitled thereto, without preference or priority of any Senior Bonds over any other Senior Bond.

If the principal of all the Subordinate Bonds shall have become due and payable, after the application of moneys for the Senior Bonds as described above, all remaining moneys shall be applied (subject to the terms of the Granting Clauses of this Indenture and to the proviso set forth in the first paragraph of this Section 8.05) *first*: to the payment to the Persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds, and *second*: to the payment of the principal of the Subordinate Bonds, ratably, to the Persons entitled thereto, without preference or priority of any Subordinate Bonds over any other Subordinate Bond.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys remaining and thereafter accruing to the Series 2016 Senior Bond Payment Account shall be applied in accordance with the provisions of paragraph (a) of this Section.

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, it shall fix the date (which shall be an Interest Payment Date unless it 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. The Trustee shall give notice of the deposit of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. The Trustee shall set a Special Record Date for such payment in accordance with the Indenture.

Whenever all of the Bonds and interest thereon have been paid under the provisions of this Section and all expenses and fees of the Trustee and any other amounts to be paid to the Issuer hereunder have been paid, any balance remaining in the Accounts shall be paid as provided in Collateral Agency Agreement.

Section 8.06. Trustee May Enforce Rights Without Bonds.

All rights of action and claims under this Indenture or any of the Bonds Outstanding hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; and any 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 Owners of the Bonds, and any recovery of judgment shall be for the ratable benefit of the Owners of the Bonds and subject to the provisions of this Indenture (including the Granting Clauses of this Indenture and the proviso in the first paragraph of Section 8.05 hereof).

Section 8.07. Delay or Omission No Waiver.

No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 8.08. No Waiver of One Default to Affect Another.

No waiver of any default hereunder, whether by the Trustee or the Bondholders, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon.

Section 8.09. Discontinuance of Proceedings on Default; Position of Parties Restored.

In case the Trustee shall have proceeded to enforce any rights under this Indenture and such proceedings 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 Issuer, the Borrower, the Trustee and the Owners shall be restored to their former position and rights hereunder with respect to the Trust Estate and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.10. Waivers of Events of Default.

The Trustee may waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding in respect of which default exists; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or redemption premium, if any, on any Outstanding Bonds at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal and redemption premium, if any (with interest upon such principal, Sinking Fund Requirements and redemption premium, if any, at the rates borne by the Bonds) and all expenses of the Trustee, in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Borrower, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

Section 8.11. Trustee to Notify Parties of Default and Disclose Information Relating to Default.

The Trustee shall promptly notify in writing the Issuer, the Borrower, the Port Authority, and the Collateral Agent of any default hereunder or the occurrence of any Event of Default. The Trustee may, in its discretion, notify in writing all Bondholders of the occurrence of any Event of Default and shall make available any and all information reasonably requested in writing of the Trustee concerning the Event of Default, the Bonds, the Issuer, the Collateral Agent, the Borrower and any other information relevant to the Event of Default.

Section 8.12. Extended Interest.

In case the time for the payment of any interest on any Bond shall be extended, whether or not such extension be by or with the consent of the Issuer, such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Indenture except subject to the prior payment in full of the principal of all Bonds then outstanding and of all interest the time for the payment of which shall not have been extended.

## ARTICLE IX

### THE TRUSTEE AND PAYING AGENT

\* \* \*

#### Section 9.02. Indemnity.

The Trustee shall be under no obligation to institute any suit, or to take any remedial action under this Indenture, the Collateral Agency Agreement or under any other Security Document 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 this Indenture, the Collateral Agency Agreement or under any other Security Document, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or gross negligence, provided, however, that the Trustee shall nevertheless be obligated to cause the principal amount of the Bonds to be accelerated or redeemed when required under this Indenture and to make payments (from the sources herein specified) on the Bonds when due, all at the times and in the manner specified in this Indenture. Nothing in this Section 9.02 shall be construed to require any indemnity from the Issuer to the Trustee.

#### Section 9.03. Responsibilities of Trustee.

(a) The Trustee shall have no responsibility in respect of the validity or sufficiency of this Indenture or of any other Security Document or the security provided hereunder or thereunder or the due execution of this Indenture by the Issuer, or the due execution of any other Security Document by any party (other than the Trustee) thereto, or in respect of the validity of the Bonds authenticated and delivered by the Trustee in accordance with this Indenture or to see to the recording or filing of this Indenture or any other document or instrument whatsoever except as otherwise provided in Section 5.08 hereof. The recitals, statements and representations contained in this Indenture and in the Bonds shall be taken and be construed as made by and on the part of the Issuer 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, re-filing, recording and re-recording as contained in Section 5.08 referred to above.

(b) The Trustee shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depository other than itself in which such moneys shall have been deposited under this Indenture or the 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 this Indenture or the Tax Certificate or for any loss, fee, tax or other charge resulting from any such investment. The Trustee shall not be liable in connection with the performance of its duties under the Loan Agreements, under this Indenture or under any other Security Document except for its own willful misconduct or gross 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 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 this 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 this 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. The Trustee shall not be charged with knowledge of the occurrence of an Event of Default unless, (i) the Trustee has not received any certificate or other document regularly required to be delivered to the Trustee under the Loan Agreements or any other Security Document, (ii) the Trustee has not received from the Collateral Agent payment of any amount required to be remitted to the Trustee under the Loan Agreements or any other Security Document, (iii) an officer in the corporate trust department of the Trustee has actual knowledge thereof, or (iv) the Trustee has received written notice thereof from the Borrower, the Issuer or any Bondholder.

(d) The Trustee shall not be liable or responsible for the failure of the Borrower to effect or maintain insurance as provided in the Loan Agreements 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 Issuer, the Borrower, the Trustee or any other Person.

(e) The Trustee shall execute (without the necessity of obtaining the signatures of the Borrower) and cause to be filed those continuation statements, any additional financing statements and all other instruments required by it by Section 5.08 hereof.

(f) The Trustee shall make annual reports to the Issuer, the Collateral Agent, and the Borrower of all moneys received and expended during the preceding year by it under this Indenture and of any Event of Default known to it under the Loan Agreements or this Indenture or under any other Security Document.

(g) With respect to the Tax Certificate, the Trustee shall not be required to make any payment of a Rebate Amount 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 Borrower Representative delivered to the Trustee in accordance with the terms of the Tax Certificate. Notwithstanding any provision of the Tax Certificate or any other Security Document, nothing in the Tax Certificate, either expressed or implied, shall be deemed to impose upon the Trustee any responsibility for the legal sufficiency of the Tax Certificate to effect compliance with the Code nor any duty to independently review or verify any information or calculation furnished to the Trustee by the Borrower.

(h) Subject to subsection (b) above, if consent of the Trustee is required under this Indenture, the Loan Agreement, the Collateral Agency Agreement, or any other Security Document to any action or event, the Trustee may, but shall not be obligated to, solicit consents therefor 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 the Holders of a majority in aggregate principal amount of the Bonds Outstanding unless a specific provision herein provides otherwise.

(i) The Trustee may consult with counsel of its selection 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.

(k) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(m) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(n) Under no circumstances shall the Trustee be required to expend any of its own funds for any purpose for which funds are to be disbursed under this Indenture or any other Security Document.

(o) The permissive right of the Trustee to do things enumerated in this Indenture, the Collateral Agency Agreement or any other Security Document shall not be construed as a duty, and in doing or not doing so the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

\* \* \*

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 this 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 this 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 this 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 this Indenture, or, at the sole costs and expense of the Borrower, 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 Issuer or an employee of the Borrower), 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 this Indenture for any reason by giving written notice by registered or certified mail, postage prepaid, to the Issuer, to the Borrower 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 (i) the appointment and acceptance thereof of a successor Trustee pursuant to Section 9.08 hereof and (ii) the transfer of the Trust Corpus (hereinafter defined) to such successor Trustee. Following such sixty (60) days should no successor have been appointed, the Trustee shall have the right to petition a court of competent jurisdiction to have a successor Trustee appointed.

The Trustee may be removed at any time upon not less than thirty (30) days' notice by an instrument or concurrent instruments in writing filed with the Trustee and signed by the Issuer or 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 upon the appointment and acceptance of such appointment by a successor Trustee. The Trustee shall promptly give notice of such filing to the other Notice Parties. No removal shall take effect until the appointment and acceptance thereof of a successor Trustee pursuant to Section 9.08 hereof. If the Trustee shall resign or shall be removed, such Trustee must transfer and assign to the successor Trustee, not later than thirty (30) days from the date specified in the removal notice, if any, or the date of the acceptance by the successor Trustee of its appointment as such, whichever shall last occur, (i) all amounts (including all investments thereof) held in any Account or Subaccount under this Indenture, together with a full accounting thereof, (ii) all records, files, correspondence, registration books Bond inventory, all information relating to Bond payment status (i.e., Outstanding principal payment and interest payment schedules, pending notices of redemption, payments made and to whom, delinquent payments, default or delinquency notices, deficiencies in any Account or Subaccount balance, etc.) and all such other information (in whatever form) in the possession of the Trustee being removed or resigning and (iii) all Issuer Documents and other documents or agreements (including, without limitation, all UCC financing statements), including, without limitation, all insurance policies or certificates, credit facilities, letters of credit or other instruments provided to the Trustee being removed or resigning (clauses (i), (ii) and (iii) together with the Trust Estate, being collectively referred to as the "Trust Corpus").

Section 9.08. Successor Trustee.

(a) If at any time the Trustee shall 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 Issuer shall 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 Issuer shall notify in writing the Borrower 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, by an instrument or concurrent instruments in writing, signed by such Bondholders or their attorneys-in-fact thereunto duly authorized and filed with the Issuer, 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 sixty (60) days of such

vacancy or notice of resignation, the Holder of any Bond then Outstanding, the Issuer or any retiring Trustee or the Borrower may apply, at the expense of the Borrower, to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such 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 this 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 \$100,000,000.

(d) The predecessor Trustee shall transfer to any successor Trustee appointed under this Section as a result of a vacancy in the position, the Trust Corpus by a date not later than thirty (30) days from the date of the acceptance by the successor Trustee of its appointment as such. Where no vacancy in the position of the Trustee has occurred, the transfer of the Trust Corpus shall take effect in accordance with the provisions of Section 9.07 hereof.

(e) Every successor Trustee shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, 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 Issuer, and upon payment by the Borrower of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to the Indenture, 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 this Indenture to its successor. Should any instrument in writing from the Issuer 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 Issuer. Any successor Trustee shall promptly notify the other Notice Parties of its appointment as Trustee.

(f) 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 this 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.

#### Section 9.09. Resignation or Removal of Paying Agent; Successor.

(a) Any Paying Agent may at any time resign and the discharge of the duties and obligations created by this Indenture by giving at least sixty (60) days' prior written notice to the other Notice Parties. Any Paying Agent may be removed at any time upon not less than thirty (30) days' written notice by an instrument filed with such Paying Agent and the Trustee and signed by the Issuer. Any successor Paying Agent shall be appointed by the Issuer, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), and shall be a commercial bank or trust company with trust powers and

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 \$100,000,000, 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 this 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 9.11. Books and Records; Reports.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and accounts in which complete and accurate entries shall be made of all transactions of the Trustee relating to the Bonds and all Accounts and subaccounts established pursuant to this Indenture. Such books of record and accounts shall be available for inspection by any Owner or its agents or representatives duly authorized in writing, at reasonable hours and under reasonable circumstances and upon reasonable prior written request.

(b) The Trustee shall maintain records of all receipts, disbursements, and investments of funds with respect to the Accounts and subaccounts until the fifth anniversary of the date on which all of the Bonds shall have been paid in full.

(c) The Trustee hereby agrees to provide a monthly report or statement to the Collateral Agent four (4) Business Days prior to each Transfer Date setting forth, among other things, the balance for each Account and subaccount established and created pursuant to this Indenture.

Section 9.12. Notice to Rating Agencies.

The Trustee shall provide the Rating Agencies, if the Bonds should be rated, with written notice, if possible, in advance or, if impossible, promptly following the effective date of (i) the appointment of any successor Trustee, (ii) any amendments to the Issuer Documents and Security Documents, (iii) the payment in full of all of the Bonds, (ix) the giving of a notice of redemption of a Series of Bonds, (iv) the acceleration of the payment of principal of and interest on the Bonds or (v) the redemption in whole or other payment in full of the Bonds. The Trustee shall also furnish to the Rating Agencies, if the Bonds should be rated, information reasonably requested in writing by the Rating Agencies. The Trustee makes this covenant as a matter of courtesy and accommodation only and shall not be liable to any Person for any failure to comply therewith.

**ARTICLE X**

**SUPPLEMENTAL INDENTURES**

Section 10.01. Supplemental Indentures Not Requiring Consent of Bondholders.

(a) The Issuer and the Trustee (with the consent of the Borrower) may enter into Supplemental Indentures for any one or more or all of the following purposes, and without the consent of or prior notice to the Holders of the Bonds (but in each case with the prior written consent of the Borrowers):

1. To cure any formal defect, omission or ambiguity in this Indenture, if such action is not materially adverse to the interests of the Bondholders.

2. To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect.

3. To add to the covenants and agreements of the Issuer in this Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect.

4. To add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect.

5. To confirm, as further assurance, any pledge under, and the subjecting to any lien or pledge created or to be created by, this Indenture, or of any other moneys, securities or funds, or to subject to the lien or pledge of this Indenture additional revenues, properties or collateral.

6. To modify or amend such provisions of this Indenture as shall, in the Opinion of Bond Counsel, be necessary to assure that the interest on the Tax-Exempt Bonds not be includable in gross income for federal income tax purposes.

7. To effect any other change herein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts).

8. To modify, amend or supplement this Indenture or any Supplemental Indenture in such manner as to permit or preserve the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit or preserve the qualification of the Bonds for sale or exemption from registration or other limitations under the securities laws of the United States of America or of any of the states of the United States of America, and to add to this Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

9. To authorize the issuance of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with this Indenture.

(b) Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to this Section, there shall have been filed with the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms, and that such Supplemental Indenture will not adversely affect the exclusion from federal income taxation of interest on any Series of Tax-Exempt Bonds Outstanding or the validity of any of the Bonds.

(c) In determining whether any amendment, consent or other action to be taken, or any failure to act, under this Indenture would adversely affect the rights of the Holders of any Series of Bonds, the Trustee shall consider the effect of such amendment, consent, action or inaction to the security of such Bonds and may rely on a written opinion of counsel in connection therewith.

Section 10.02. Supplemental Indentures Requiring Consent of Bondholders.

(a) Subject to the terms and provisions contained in this Section and not otherwise, the Holders of each of (i) not less than a majority in aggregate principal amount of the Senior Bonds hereby secured and then Outstanding and (ii) not less than a majority in aggregate principal amount of the Subordinate Bonds hereby secured and then Outstanding, shall have the right, from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein.

Nothing herein contained shall permit, or be construed as permitting, however, (i) a change in the times, amounts or currency of payment of the principal of or redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction (except as provided in this Indenture) in the principal amount of any Outstanding Bond or the redemption premium, if any, or the rate of interest thereon or any extension of the time of payment thereof, (ii) the creation of a lien upon or pledge of the Trust Estate other than the lien or pledge created by this Indenture, or (iii) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, in each case unless the prior written consent of the Owners of each Bond affected thereby has been obtained.

(b) If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes of this Section, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondholders at least ten (10) days prior to the effective date thereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

(c) Whenever, within one year after the date of such notice, there shall have first been filed with the Trustee (i) the written consents of Holders of each of (x) not less than a majority in aggregate principal amount of the Senior Bonds then Outstanding and (y) not less than a majority in aggregate principal amount of the Subordinate Bonds then Outstanding (or, if such Supplemental Indenture shall affect only a single Series of Bonds, or only Senior Bonds or only Subordinate Bonds, the written consents of not less than a majority in aggregate principal amount of such affected Series of Bonds Outstanding, Senior Bonds only, if only Senior Bonds are affected, or Subordinate Bonds only, if only Subordinate Bonds are affected), (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, that upon execution it will be valid and binding upon the Issuer in accordance with its terms, and to the effect that such Supplemental Indenture will not cause the interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes, nor adversely affect the validity of the Bonds, and (iii) a Rating Confirmation (if a rating is then in effect) with respect to each affected Series or subseries of Bonds then Outstanding, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

(d) If the Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and

provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

(e) Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under this Indenture, subject in all respects to such modifications and amendments.

#### Section 10.03. Execution of Supplemental Indentures.

The Trustee is authorized to join with the Issuer in the execution of any such Supplemental Indenture and to make further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects its rights, duties or immunities under this Indenture. Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Bonds delivered thereafter, if any, if deemed necessary or desirable by the Trustee. In executing any Supplemental Indenture, the Trustee may conclusively rely on an Opinion of Bond Counsel stating that the execution of such Supplemental Indenture is authorized or permitted hereunder, complies with the terms hereof and will not adversely affect the exclusion from gross income of the interest payable on the Tax-Exempt Bonds.

#### Section 10.04. Amendments to the Other Issuer Documents Not Requiring Consent of Bondholders.

The Issuer and the Trustee may, without the consent of or notice to the Bondholders, amend, change or modify any of the Issuer Documents (other than this Indenture), for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or a co-Trustee or the succession of a successor separate or co-Trustee; (v) to make any change required in connection with an amendment permitted to another Security Document, including a permitted Supplemental Indenture; and (vi) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the interests of the Bondholders. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Issuer Documents (excluding this Indenture), there shall be filed with the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Tax-Exempt Bonds Outstanding or the validity of any of the Bonds. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this Section.

Section 10.05. Amendments to the Other Issuer Documents Requiring Consent of Bondholders.

Except as provided in Section 10.04 hereof, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Issuer Documents other than this Indenture, without the written approval or consent of the Holders of each of (i) not less than a majority in aggregate principal amount of the Senior Bonds hereby secured and then Outstanding and (ii) not less than a majority in aggregate principal amount of the Subordinate Bonds hereby secured and then Outstanding given and procured as set forth in Section 10.02 hereof (or the written consent of not less than a majority in aggregate principal amount of such affected Series of Bonds Outstanding, Senior Bonds only, if only Senior Bonds are affected, or Subordinate Bonds only, if only Subordinate Bonds are affected by such amendment, change or modification); provided, however, there shall be no amendment, change or modification to the obligation of the Borrower to make loan payments under the Loan Agreements and the Notes with respect to the Bonds (except as provided therein or in connection with the issuance of a Series of Outstanding Bonds) without the prior written approval of the Holders of 100% in aggregate principal amount of the Senior Bonds at the time Outstanding and the Holders of 100% in aggregate principal amount of the Subordinate Bonds at the time Outstanding given and procured as provided in Section 10.02 hereof (or the written consent of 100% in aggregate principal amount of such affected Series of Bonds Outstanding, 100% in aggregate principal amount of Senior Bonds only, if only Senior Bonds are affected, or 100% in aggregate principal amount of Subordinate Bonds only, if only Subordinate Bonds are affected by such amendment, change or modification), without the delivery of an Opinion of Bond Counsel to the effect that such amendment, change, modification, reductions or postponement will not cause the interest on any Series of Tax-Exempt Bonds to cease to be excluded from gross income for federal income tax purposes. If at any time the Borrower or the Collateral Agent shall request the consent of the Trustee to any proposed amendment, change or modification described in this Section 10.05, the Trustee shall cause notice of such proposed amendment, change or modification as summarized by the Borrower to be mailed in the same manner as is provided in this Article X with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Holders of Senior Bonds and Subordinate Bonds. The Trustee may, but shall not be obligated to, enter into any such amendment, change or modification which affects the Trustee's own rights, duties or immunities or otherwise. Before the Trustee shall enter into or consent to any such amendment, change or modification, there shall be filed with the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion of interest on any Series of Tax-Exempt Bonds for federal income tax purposes under the Code or the validity of any of the Bonds.

Section 10.06. Amendments to Collateral Agency Agreement and Other Security Documents Not Requiring Consent of Bondholders.

The Trustee may, without the consent of or notice to the Bondholders, amend, change or modify the Collateral Agency Agreement or any other Security Documents (the "Security Documents"), for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee or the Collateral Agent for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) (a) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or a co-Trustee or the succession of a successor separate or co-Trustee or (b) to evidence the succession of a successor Collateral Agent or to evidence the appointment of a separate or a co-Collateral Agent or the succession of a successor separate or co-Collateral Agent; (v) to make any change required in connection with an amendment permitted to another Security Document, and (vi) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good

faith, upon an Opinion of Counsel or an opinion or report of engineers, accountants or other experts) does not materially adversely affect the interests of the Bondholders. Before the Trustee shall enter into or consent to (or direct the Collateral Agent to enter into or consent to) any amendment, change or modification to any of the Security Documents, there shall be filed with the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Tax-Exempt Bonds Outstanding or the validity of any of the Bonds. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this Section.

Section 10.07. Amendments to Collateral Agency Agreement and Other Security Documents Requiring Consent of Bondholders.

Except as provided in Section 10.06 hereof, the Trustee shall not consent to any amendment, change or modification of the Collateral Agency Agreement or any of the Security Documents (or direct or permit the Collateral Agent to consent to any amendment, change or modification of the Collateral Agency Agreement or any of the Security Documents), without the written approval or consent of the Holders of each of (i) not less than a majority in aggregate principal amount of the Senior Bonds hereby secured and then Outstanding and (ii) not less than a majority in aggregate principal amount of the Subordinate Bonds hereby secured and then Outstanding given and procured as set forth in Section 10.02 hereof (or the written consent of not less than a majority in aggregate principal amount of such affected Series of Bonds Outstanding, Senior Bonds only, if only Senior Bonds are affected, or Subordinate Bonds only, if only Subordinate Bonds are affected by such amendment, change or modification). If at any time the Borrower or the Collateral Agent shall request the consent of the Trustee to any proposed amendment, change or modification described in this Section, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as is provided in this Article X with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Bondholders. The Trustee may, but shall not be obligated to, enter into (or permit the Collateral Agent to enter into) any such amendment, change or modification which affects the Trustee's or Collateral Agent's own rights, duties or immunities or otherwise. Before the Trustee shall enter into or consent to any such amendment, change or modification, there shall be filed with the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion of interest on any Series of Tax-Exempt Bonds for federal income tax purposes under the Code or the validity of any of the Bonds.

**ARTICLE XI**

**MISCELLANEOUS**

Section 11.01. Bond Insurance.

\* \* \*

(d) *Acceleration.* If any maturity of the Insured Bonds is accelerated pursuant to Section 8.02(b) hereof, the Bond Insurer may elect, in its sole discretion, but shall have no obligation, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Bond Insurance Policy with



respect to such Insured Bonds shall be fully discharged. If the Bond Insurer does not so elect to pay the Insured Bonds on an accelerated basis, the Bond Insurer shall pay under the Bond Insurance Policy the principal of and interest on the Insured Bonds at the time principal and interest would have been due had the maturity of the Insured Bonds not been accelerated.

(e) *Bond Insurer as Bondholder.* So long as the Bond Insurer is not in default under the Bond Insurance Policy, the Bond Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Insured Bonds are entitled to take pursuant to this Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each Insured Bond, each Holder of the Insured Bonds appoints the Bond Insurer as their agent and attorney-in-fact and agrees that the Bond Insurer may, to the extent such right would otherwise be available to the Holder of the Insured Bonds, at any time during the continuation of any proceeding by or against the Issuer or the Borrower under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Holder of Insured Bonds delegates and assigns to the Bond Insurer, to the fullest extent permitted by law, the rights of each Holder of Insured Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Holder of the Insured Bonds for the Bond Insurer’s benefit, and agrees to cooperate with the Bond Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Holders of Insured Bonds shall expressly include mandamus. The Bond Insurer shall have no rights under this Indenture, other than rights of subrogation to the Holders of Insured Bonds to the extent it has made payments under the Bond Insurance Policy, in the event the Bond Insurer is in default on its payment obligations under the Bond Insurance Policy.

\* \* \*

Section 11.03. Parties Interested Herein.

Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Borrower, the Trustee, the Collateral Agent, the Paying Agents, if any, and the registered Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Borrower, the Trustee, the Paying Agents, if any, and the registered Owners of the Bonds.

\* \* \*

Section 11.05. No Pecuniary Liability of Issuer or Members.

No provision, covenant or agreement contained in this Indenture or in the Bonds or any obligations herein or therein imposed upon the Issuer or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge upon its general credit. In making the agreements, provisions and covenants set forth in this Indenture, the Issuer has not obligated itself except with respect to the Trust Estate.

All covenants, stipulations, promises, agreements and obligations of the Issuer contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, employee or agent of the Issuer in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price, if any, of, Sinking Fund Requirements for, if any, or interest on the Bonds or for any claim based thereon or hereunder against any member, director, officer, employee or agent of the Issuer or any natural person executing the Bonds.

\* \* \*

Section 11.07 Governing Law; Waiver of Jury Trial.

THE EFFECT AND MEANING OF THIS INDENTURE AND THE RIGHTS OF ALL PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF. EACH OF THE ISSUER AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE BONDS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.10. Payments Due or Actions to be Taken on Non-Business Days.

If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herein, and no interest on such payment shall continue to accrue for the period after such date.

Section 11.11. Reliance on Directions of the Borrower.

Whenever in this Indenture or the Tax Certificate an action or direction is required of or permitted by the Issuer or the Borrower, then, except as otherwise specifically provided, the Issuer and the Trustee agree that either of them shall be authorized to conclusively rely upon a written instrument from the Authorized Issuer Representative or Authorized Borrower Representative, as the case may be, with respect thereto.

Section 11.12. Moneys Held for Particular Bonds.

The amounts held by the Trustee or Paying Agents for the payment of the principal of and redemption premium, if any, and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, and subject to any rebate requirements as set forth in the Tax Certificate or this Indenture, be set aside on its books and held in trust for the Holders of the Bonds entitled thereto. Such amounts so held shall be uninvested or, if invested, invested only in Government Obligations maturing within thirty (30) days.

Section 11.13. Force Majeure.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

\* \* \*

Section 11.22. Exculpation of Issuer.

In the exercise of the powers of the Issuer and its members, officers, employees or agents under this Indenture and the Loan Agreement, and including without limitation the application of moneys, the investment of funds, or the assignment or other disposition of the Trust Estate in the Event of Default by the Borrower, neither the Issuer nor its members, officers, employees or agents shall be accountable, except in the case of acts or omissions of gross negligence or willful misconduct of such parties, to the Owners of the Bonds, the Trustee, or the Borrower for any action taken or omitted by it or them in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred thereto. The Issuer and its members, officers, employees and agents shall be protected in acting upon any paper or document believed by it or them to be genuine, they may conclusively rely upon the advice of counsel and they may (but need not) require further evidence of any fact or matter before taking any action.

Section 11.23. Issuer Entitled to Indemnity.

(a) Pursuant to and as provided in the Loan Agreements, the Borrower shall indemnify the Issuer, any Person who “controls” the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, the Trustee and any member, principal, director, officer, official, agent, attorney and employee of the Issuer, the Trustee or the State (herein the “Indemnified Parties”).

(b) To secure the indemnification payment obligation of the Borrower, the Indemnified Parties shall have a lien prior to the lien, if any, created by this Indenture for the benefit of the Owners of the Bonds on all money or property held or collected by the Trustee other than money held for the payment of the principal, purchase price or Redemption Price of any Bonds, and interest on any Bonds previously matured or called for redemption in accordance with this Indenture, which shall be held for the benefit of the Owners of such Bonds only. Such obligations shall survive the satisfaction and discharge of this Indenture.

(c) When an Indemnified Party incurs expenses or renders services after an Event of Default, the expenses and compensation for the services are intended to constitute expenses of administration under any applicable bankruptcy law.

Section 11.24. Issuer Not Responsible for Insurance, Taxes, Execution of Indenture, or Application of Moneys Applied in Accordance with this Indenture.

(a) The Issuer is not under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the

Borrower, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Issuer shall have no responsibility in respect of the sufficiency of the security provided by this Indenture. The Issuer shall not be under any obligation to see that any duties herein imposed upon any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Issuer shall not be under any liability for failure to see that any such duties or covenants are so done or performed.

(b) The immunities and exemptions from liability of the Issuer hereunder shall extend to its directors, members, attorneys, officers, employees and agents.

Section 11.25. Issuer May Rely on Certificates.

The Issuer shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, in a reasonable manner and in accordance with the terms of this 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 Collateral Agency Agreement, the Loan Agreements or this Indenture, or upon the written opinion of any attorney, engineer, accountant or other expert reasonably believed by it to be qualified in relation to the subject matter and otherwise permitted hereunder, and the Issuer shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

\* \* \*

**Appendix D-2**

**CERTAIN PROVISIONS OF THE  
COLLATERAL AGENCY AGREEMENT**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## CERTAIN PROVISIONS OF THE COLLATERAL AGENCY AGREEMENT

*The following includes certain provisions of the Collateral Agency Agreement relating to the Project and is not a full statement of the terms of such agreement. Accordingly, the following is qualified in its entirety by reference to such agreement and is subject to the full text of such agreement. A copy of such agreement is available, free of charge, upon request from the Borrower or the Trustee. Unless otherwise stated, any reference in this Official Statement to any agreement means such agreement and all schedules, exhibits and attachments thereto, as amended, supplemented or otherwise modified and in effect as of the date hereof. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.*

\* \* \*

### ARTICLE II THE COLLATERAL AGENT

\* \* \*

#### **Section 2.02 Duties and Responsibilities.**

(a) Subject to the terms hereof, the Collateral Agent agrees, for the benefit of the Secured Parties, to administer and enforce this Agreement and the other Security Documents to which it is a party or assignee as Collateral Agent, and, among other remedies, to foreclose upon, collect and dispose of the Collateral and to apply the proceeds therefrom as provided herein, and otherwise to perform its duties and obligations as the Collateral Agent hereunder and thereunder in accordance with the terms hereof and thereof; provided, however, that the Collateral Agent shall have no duties or responsibilities except those expressly set forth herein or in the other Security Documents to which it is a party or an assignee, and no implied covenants or obligations, fiduciary or otherwise, shall be read into this Agreement or any such other Security Documents against the Collateral Agent.

(b) Notwithstanding anything contained herein to the contrary, the Collateral Agent shall not be required to exercise any discretion or take any discretionary action but shall only be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon written instructions received by the Collateral Agent from the Borrower, the Trustee or the Port Authority, as expressly authorized by the terms hereof, and in accordance with the terms specified herein or in the Indenture, and such instructions shall be binding upon the Collateral Agent and each of the Secured Parties; provided, however, that the written instructions of all of the Secured Parties shall be required where expressly provided for herein or in the Indenture; provided, further, that the Collateral Agent shall not be required to take any action which is contrary to any provision hereof or of the other Security Documents or applicable Law.

(c) Notwithstanding any other provision of the Security Documents, in no event shall the Collateral Agent be required to foreclose on, or take possession of, any Collateral, if, in the reasonable judgment of the Collateral Agent, such action would be in violation of any applicable Law, rule or regulation pertaining thereto, or if the Collateral Agent reasonably believes that such action would result in the incurrence of liability by the Collateral Agent for which it is not provided with security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might thereby be incurred pursuant to certain provisions of this Agreement.

(d) The Collateral Agent shall not be responsible to the other Secured Parties for (i) any recitals, statements, representations or warranties by the Borrower, or any of the Secured Parties (other

than its own) contained in this Agreement or the other Financing Documents, or any certificate or other document delivered by the Borrower, or any of the other Secured Parties thereunder, (ii) the value, validity, effectiveness, genuineness, enforceability (other than as to the Collateral Agent with respect to such documents to which the Collateral Agent is a party) or sufficiency of this Agreement or any other document referred to or provided for herein or therein or of the Collateral, (iii) the performance or observance by the Borrower or any of the Secured Parties (other than as to itself) of any of their respective agreements contained herein or in the other Financing Documents, nor shall the Collateral Agent be liable because of the invalidity or unenforceability of any provisions of this Agreement (other than as to itself) or (iv) the validity, perfection, priority or enforceability of the Security Interests on any of the Collateral, whether impaired by operation of Law or by reason of any action or omission to act on its part hereunder (except to the extent such action or omission constitutes gross negligence or willful misconduct on the part of the Collateral Agent), the validity of the title of the Borrower to the Collateral owned by it, insuring the Collateral or the payment of Taxes, charges, assessments on the Collateral or otherwise as to the maintenance of the Collateral.

(e) Except when a mandatory action is required by the Collateral Agent under the Security Documents, the Collateral Agent may at any time request instructions from the Trustee as to a course of action to be taken by it hereunder and under any of the Security Documents or in connection herewith and therewith or any other matters relating hereto and thereto, and the Trustee shall promptly reply to such request with direction to act in accordance with the requisite Security Document, and the Collateral Agent shall be fully justified in failing or refusing to take any such action if it shall not have received such written instruction. This provision is intended solely for the benefit of the Collateral Agent and its successors and permitted assigns and is not intended to and will not entitle the other parties hereto to any defense, claim or counterclaim or confer any rights on any other party hereto.

(f) Neither of the Collateral Agent, the Securities Intermediary or any of their respective directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

**Section 2.03 Authorization.** The Collateral Agent is hereby authorized to (a) execute, deliver, and perform in such capacity under this Agreement and each other Financing Document to which the Collateral Agent is or is intended to be a party or is an assignee, (b) exercise and enforce any and all rights, powers and remedies provided to the Collateral Agent under this Agreement, any other Financing Document, any applicable Law, or any other document, instrument, or agreement, in each case in accordance with the terms thereof, and (c) take any other action under and in accordance with this Agreement and any other Financing Document to which the Collateral Agent is a party or an assignee and which the Collateral Agent shall be entitled to have taken hereunder or under any other Financing Document. Notwithstanding the foregoing, the Collateral Agent shall not commence an Enforcement Action except in accordance with instructions given by the Trustee (acting in accordance with the Indenture); provided, that if the Collateral Agent is prohibited by any court order or applicable Law from commencing any Enforcement Action due to a lack of consent or direction of or from the Trustee or the lack of the Trustee as a party to such Enforcement Action, the Collateral Agent shall seek the requisite authority from, or joinder of, the Trustee to commence such Enforcement Action but shall not be obligated to commence such Enforcement Action until such authority is obtained. All decisions with respect to the type of Enforcement Action which is to be commenced shall be made by, and all actions with respect to prosecution and settlement of such Enforcement Action shall require the written consent of, the Trustee (acting in accordance with the Indenture), the Collateral Agent acknowledges that the Collateral is part of the Trust Estate pursuant to the Indenture, and the Collateral Agent shall not be required to take any Enforcement Action in the absence of any such written consent. The Collateral Agent will use its reasonable efforts to pursue diligently the prosecution of any Enforcement Action,



which the Collateral Agent is so instructed to initiate pursuant to this Agreement. The Bank of New York Mellon represents that it is a banking corporation duly organized and validly existing and authorized to accept and execute trusts of the character set out herein under the laws of the State of New York on behalf of itself and the Secured Parties and to perform the duties of Collateral Agent hereunder.

**Section 2.04 Administrative Actions.** The Collateral Agent shall take such action as it reasonably deems necessary to continue the perfection of the Security Interests on the Collateral held for the benefit of the Secured Parties and to cause to be filed all continuation statements under the UCC in such manner and in such places as may be required by law in order to protect and maintain in force the lien of the Collateral Agent in the Collateral created by the Security Documents. The Borrower shall be responsible for the reasonable costs incurred by the Collateral Agent performing its duties under this Section and in filing all continuation statements hereunder. The Collateral Agent shall not release any of the Collateral held for the benefit of such Secured Parties, except: (a) upon the written direction of the Trustee (acting in accordance with the terms of the Indenture); (b) upon payment in full of the Secured Obligations, as certified to the Collateral Agent by the Trustee with respect to the Bonds; or (c) in connection with the disposition of any assets of the Borrower made in accordance with the terms of the Financing Documents or where such release is expressly permitted under the terms of the Security Documents. Upon the written request by the Collateral Agent, the Borrower will confirm in writing the Collateral Agent's authority to release particular types or items of Collateral pursuant to clause (c) of this Section.

\* \* \*

**Section 2.06 Reliance of Collateral Agent.** In connection with the performance of its duties hereunder, the Collateral Agent shall be entitled to rely conclusively upon, and shall be fully protected in acting or refraining from acting in accordance with, any written certification, notice, instrument, opinion, request, consent, order, approval, direction or other written communication (including any thereof by facsimile or electronic communication) of or from the Trustee (to the extent not in violation of the terms hereof or of the other Financing Documents), which the Collateral Agent in good faith reasonably believes to be genuine and to have been signed or sent by or on behalf of the proper Person or Persons, and it shall be entitled to rely conclusively upon the due execution, validity and effectiveness, and the truth, correctness and acceptability of, any provisions contained therein. The Collateral Agent shall not have any responsibility to make any investigation into the facts or matters stated in any notice, certificate, instrument, demand, request, direction, instruction, or other communication furnished to it that it in good faith reasonably believes to be genuine. Whenever this Agreement specifies that any instruction or consent by the Trustee, the Borrower or the Port Authority is to be given, the Collateral Agent shall be entitled to rely upon any such instruction or consent by the Trustee, the Borrower or the Port Authority, as applicable. Notwithstanding any provision of the Lease Agreement to the contrary, the Trustee, Collateral Agent, the Deposit Account Bank and Securities Intermediary will not take any action or refrain from taking any action for which they have received an opinion of Bond Counsel stating that the action or non-action will negatively impact the tax exempt status of the Series 2016A Bonds; and, the Trustee, Collateral Agent, the Deposit Account Bank and Securities Intermediary shall be accorded all of its rights, privileges and immunities hereunder and under the Indenture when taking action under the Lease Agreement.

\* \* \*

**Section 2.10 Resignation and Removal; Successor Collateral Agent; Individual Collateral Agent.**

(a) The Collateral Agent may resign at any time by giving at least sixty (60) days' prior written notice thereof to the other Secured Parties and the Borrower, and the Collateral Agent may be removed at any time with or without cause by the Trustee upon thirty (30) days' written notice thereof to the Collateral Agent and the Borrower. No resignation or removal of the Collateral Agent shall be effective until a successor Collateral Agent has been appointed as provided below. Upon any such resignation or removal, the Trustee shall have the right to appoint a successor Collateral Agent which, so long as no Event of Default has occurred and is continuing, shall be acceptable to the Borrower, such acceptance not to be unreasonably withheld or delayed. If no successor Collateral Agent shall have been so appointed by the Trustee within sixty (60) days after the retiring Collateral Agent's giving of notice of resignation or the removal of the retiring Collateral Agent by the Trustee, then the retiring Collateral Agent may, on behalf of the Secured Parties, apply to a court of competent jurisdiction (with notice to the Trustee and the Borrower) for the appointment of a successor Collateral Agent. In all such cases, the successor Collateral Agent shall be a bank organized under the laws of the United States of America or any state thereof that has an office in the State of New York and which agrees to administer the Collateral in accordance with the terms hereof and of the other Security Documents and the unsecured long-term debt of which shall be rated "A" or better by S&P or "A2" or better by Moody's and shall have a total capital stock and unimpaired surplus of not less than \$500,000,000 and, so long as no Event of Default has occurred and is continuing, shall be reasonably acceptable to the Borrower. The Bank of New York Mellon hereby represents and confirms that it meets the qualifications provided in the preceding sentence as of the date hereof. Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, obligations and duties of the retiring Collateral Agent, and the retiring Collateral Agent shall be discharged from its duties and responsibilities hereunder. After any retiring Collateral Agent's resignation or removal hereunder as Collateral Agent, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Collateral Agent.

\* \* \*

**Section 2.11 Books and Records; Reports.**

(a) The Collateral Agent shall at all times keep, or cause to be kept, proper books of record and accounts in which complete and accurate entries shall be made of all transactions relating to the Secured Obligations, Project Revenues, and the Securities Accounts. The Deposit Account Bank shall at all times keep, or cause to be kept, proper books of record and accounts in which complete and accurate entries shall be made of all transactions relating to the Non-Pledged Accounts. Such books of record and accounts shall be available for inspection by the Secured Parties and/or their respective agents or representatives duly authorized in writing, at reasonable hours and under reasonable circumstances and upon reasonable prior written request.

(b) Within fifteen (15) days after the end of each calendar month, the Collateral Agent shall furnish to the Trustee and the Borrower a report that shall set forth in reasonable detail (i) the account balances, receipts, disbursements, transfers, investment transactions, and accruals for each of the Securities Accounts during the preceding month and (ii) all transfers into, and the then current account balance in, the Operating Account (provided that The Bank of New York Mellon, as holder of the Operating Account, has provided the Collateral Agent with such information). Within fifteen (15) days

after the end of each calendar month, The Bank of New York Mellon, as holder of the Operating Account, shall furnish to the Trustee, the Borrower and the Port Authority a report that shall set forth in reasonable detail the account balances, receipts, disbursements, and transfers for each of the Non-Pledged Accounts during the preceding month.

(c) Within ninety (90) days after the end of each calendar year, the Collateral Agent shall furnish to the Trustee and the Borrower a report setting forth in reasonable detail the (i) account balances, receipts, disbursements, transfers, investment transactions, and accruals for each of the Securities Accounts during the preceding year and (ii) all transfers into, and the then current account balance in, the Operating Account (provided that The Bank of New York Mellon, as holder of the Operating Account, has provided the Collateral Agent with such information). Within ninety (90) days after the end of each calendar year, the Deposit Account Bank shall furnish to the Trustee, the Borrower and the Port Authority a report setting forth in reasonable detail the account balances, receipts, disbursements and transfers for each of the Non-Pledged Accounts during the preceding year.

(d) The Collateral Agent shall maintain records of all receipts, disbursements, transfers, and investments of funds with respect to the Securities Accounts until the fifth anniversary of the date on which all of the Secured Obligations shall have been paid in full. The Deposit Account Bank shall maintain records of all receipts, disbursements, transfers, and investments of funds with respect to the Non-Pledged Accounts until the fifth anniversary of the date on which all of the Secured Obligations shall have been paid in full.

\* \* \*

**Section 2.14 Force Majeure.** In no event shall the Collateral Agent or the Deposit Account Bank be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services not within its control, the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility; it being understood that the Collateral Agent and the Deposit Account Bank shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

\* \* \*

## ARTICLE V PROJECT ACCOUNTS AND NON-PLEDGED ACCOUNTS

### **Section 5.01 Establishment of Project Accounts.**

(a) The following Project Accounts (inclusive of any sub-accounts) are hereby established and created in the name of the Borrower (unless the contrary is expressly noted below) (such Project Accounts, collectively the “Securities Accounts”):

- (i) an account in the name of the Borrower entitled “Pre-Substantial Completion Revenue Account” (the “Pre-Substantial Completion Revenue Account”);
- (ii) an account in the name of the Borrower entitled “Post-Substantial Completion Revenue Account” (the “Post-Substantial Completion Revenue Account”);

(iii) an account in the name of the Borrower entitled “Construction Account” (the “Construction Account”), and within the Construction Account the following sub-accounts shall be established as of the date hereof:

A. a sub-account entitled “Tax-Exempt Bond Proceeds Sub-Account” (the “Tax-Exempt Bond Proceeds Sub-Account”);

B. a sub-account entitled “Taxable Bond Proceeds Sub-Account” (the “Taxable Bond Proceeds Sub-Account”);

C. a sub-account entitled “Operating Cashflow Sub-Account” (the “Operating Cashflow Sub-Account”); and

D. a sub-account entitled “Equity Contribution Sub-Account” (the “Equity Contribution Sub-Account”);

(iv) an account in the name of the Borrower entitled “Senior Bond Payment Account” (the “Senior Bond Payment Account”), and within the Senior Bond Payment Account:

A. a sub-account entitled “2016A Tax-Exempt Bond Interest Payment Sub-Account” (the “2016A Tax-Exempt Bond Interest Payment Sub-Account”);

B. a sub-account entitled “2016A Tax-Exempt Bond Principal Payment Sub-Account” (the “2016A Tax-Exempt Bond Principal Payment Sub-Account”);

C. a sub-account entitled “2016B Taxable Bond Interest Payment Sub-Account” (the “2016B Taxable Bond Interest Payment Sub-Account”);

D. a sub-account entitled “2016B Taxable Bond Principal Payment Sub-Account” (the “2016B Taxable Bond Principal Payment Sub-Account”);

E. a sub-account entitled “Senior Bond Redemption Sub-Account” (the “Senior Bond Redemption Sub-Account”), and within the Bond Redemption Sub-Account:

1. a sub-account entitled “2016A Tax-Exempt Bond Redemption Sub-Account” (the “2016A Tax-Exempt Bond Redemption Sub-Account”); and

2. a sub-account entitled “2016B Taxable Bond Redemption Sub-Account” (the “2016B Taxable Bond Redemption Sub-Account”).

(v) an account in the name of the Borrower entitled “Senior Debt Service Reserve Account” (the “Senior Debt Service Reserve Account”), and within the Senior Debt Service Reserve Account:

A. a sub-account entitled “2016A Tax-Exempt Bond Debt Service Reserve Sub-Account” (the “2016A Tax-Exempt Bond Debt Service Reserve Sub-Account”); and

B. a sub-account entitled “2016B Taxable Bond Debt Service Reserve Sub-Account” (the “2016B Taxable Bond Debt Service Reserve Sub-Account”).

(vi) an account in the name of the Borrower entitled “Subordinate Bond Payment Account” (the “Subordinate Bond Payment Account”), and within the Subordinate Bond Payment Account:

A. a sub-account entitled “Subordinate Tax-Exempt Bond Interest Payment Sub-Account” (the “Subordinate Tax-Exempt Bond Interest Payment Sub-Account”);

B. a sub-account entitled “Subordinate Tax-Exempt Bond Principal Payment Sub-Account” (the “Subordinate Tax-Exempt Bond Principal Payment Sub-Account”);

C. a sub-account entitled “Subordinate Taxable Bond Interest Payment Sub-Account” (the “Subordinate Taxable Bond Interest Payment Sub-Account”);

D. a sub-account entitled “Subordinate Taxable Bond Principal Payment Sub-Account” (the “Subordinate Taxable Bond Principal Payment Sub-Account”);

E. a sub-account entitled “Subordinate Bond Redemption Sub-Account” (the “Subordinate Bond Redemption Sub-Account”), and within the Subordinate Bond Redemption Sub-Account

1. a sub-account entitled “Subordinate Tax-Exempt Bond Redemption Sub-Account” (the “Subordinate Tax-Exempt Bond Redemption Sub-Account”); and

2. a sub-account entitled “Subordinate Taxable Bond Redemption Sub-Account” (the “Subordinate Taxable Bond Redemption Sub-Account”);

(vii) an account in the name of the Borrower entitled “Subordinate Debt Service Reserve Account” (the “Subordinate Debt Service Reserve Account”), and within the Subordinate Debt Service Reserve Account:

A. a sub-account entitled “Subordinate Tax-Exempt Bond Debt Service Reserve Sub-Account” (the “Subordinate Tax-Exempt Bond Debt Service Reserve Sub-Account”); and

B. a sub-account entitled “Subordinate Taxable Bond Debt Service Reserve Sub-Account” (the “Subordinate Taxable Bond Debt Service Reserve Sub-Account”).

(viii) an account in the name of the Borrower entitled “Capitalized Interest Account” (the “Capitalized Interest Account”) and within the Capitalized Interest Account:

A. a sub-account entitled “2016A Tax-Exempt Bond Capitalized Interest Sub-Account” (the “2016A Tax-Exempt Bond Capitalized Interest Sub-Account”);

B. a sub-account entitled “2016B Taxable Bond Capitalized Interest Sub-Account” (the “2016B Taxable Bond Capitalized Interest Sub-Account”); and

(ix) an account in the name of the Borrower entitled “Working Capital Reserve Account” (the “Working Capital Reserve Account”);

(x) an account in the name of the Borrower entitled “O&M Reserve Account” (the “O&M Reserve Account”);

(xi) an account in the name of the Borrower entitled “Major Maintenance Reserve Account” (the “Major Maintenance Reserve Account”);

(xii) an account in the name of the Borrower entitled “Insurance and Condemnation Proceeds Account” (the “Insurance and Condemnation Proceeds Account”);

(xiii) an account in the name of the Borrower entitled “Distribution Account” (the “Distribution Account”);

(xiv) an account in the name of the Borrower entitled “Performance Fee Account” (the “Performance Fee Account”);

(xv) an account in the name of the Borrower entitled “Second Additional Rent Account” (the “Second Additional Rent Account”); and

(xvi) an account in the name of the Borrower entitled “Airline Discount Account” (the “Airline Discount Account”).

(b) Each such Project Account shall be identified in the manner set forth in an exhibit attached hereto. Notwithstanding anything herein to the contrary, upon the written instruction of the Borrower or the Trustee, the Collateral Agent may, from time to time hereafter, establish and maintain sub-accounts within the Project Accounts (including, without limitation, sub-accounts with respect to any future Additional Bonds issued in accordance with the terms of the Indenture, including any Supplemental Indentures) for the purposes and the term specified in any such request.

(c) The Borrower hereby confirms that an operating account (the “Operating Account”) has been established as of the date hereof with The Bank of New York Mellon, , and such account shall be maintained in the name of the Borrower. The Operating Account shall also constitute a Project Account and shall be subject to the Account Control Agreement (in the form attached hereto).

(d) All of the Project Accounts shall be under the control of the Collateral Agent (including the Operating Account, pursuant to the Account Control Agreement) and, except as expressly provided herein (and in the case of the Operating Account, in the Account Control Agreement), the Borrower shall not have any right to withdraw funds from any Project Account. The Borrower hereby irrevocably authorizes the Collateral Agent to credit funds to or deposit funds in, and to withdraw and transfer funds from, each Project Account in accordance with the terms of this Agreement (or the Account Control Agreement in the case of the Operating Account). The Project Accounts shall be maintained at all times in the State of New York or, in the case of the Operating Account, at a commercial bank with a branch office in the State of New York.

(e) In addition to the Project Accounts addressed above, the Non-Pledged Accounts are addressed in Sections 5.15 through 5.18 below. Each such Non-Pledged Account is identified in the manner set forth in Exhibit B attached hereto.

### **Section 5.02 Pre-Substantial Completion Revenue Account.**

(a) From the date hereof through and including the End of Funding Date, the Borrower shall promptly deposit or cause to be deposited into the Pre-Substantial Completion Revenue Account (i) all Project Revenues and all other amounts received by the Borrower from any source whatsoever, except for (x) the Non-Pledged Receipts and (y) amounts expressly required to be deposited in other Project Accounts pursuant to this Article V, and (ii) and amounts transferred from other Project Accounts as required by the terms of this Agreement. Pending such deposit, the Borrower will hold all such amounts received by it in trust for the benefit of the Secured Parties in accordance with the terms hereof.

(b) The Collateral Agent shall, on each Transfer Date occurring on or prior to the End of Funding Date, make the following withdrawals, transfers and payments from the Pre-Substantial Completion Revenue Account (to the extent the amounts required to pay such amounts have not been previously been transferred, in accordance with the terms hereof, from other Project Accounts at the direction of the Borrower) in the amounts, at the times and only for the purposes specified below at the request of the Borrower in a Funds Transfer Certificate (in substantially the form attached hereto, and in the following order of priority, after giving effect to any other transfers into the Project Accounts specified below as instructed by the Borrower (in accordance with the terms hereof) to be made on or prior to such Transfer Date (it being agreed that no amount shall be withdrawn or transferred on any date pursuant to any clause below until amounts sufficient as of that date (to the extent applicable) for all the purposes specified under the prior clauses shall have been withdrawn or transferred):

1. *First*, in the following order of priority (i) if any Rebate Amount is due under the Indenture, to fund the Rebate Account in an amount equal to such Rebate Amount, and thereafter (ii) *pro rata* to pay all fees, administrative costs and expenses then due and payable under the Financing Documents to the Collateral Agent, the Securities Intermediary, the Deposit Account Bank, the Trustee or the Issuer, and to pay any costs of any Nationally Recognized Rating Agencies applicable to the Project (to the extent such amounts have not previously been disbursed from the Operating Account or the Construction Account for such purposes);

2. *Second*, pro rata (i) to the Operating Account, an amount equal, when taken together with amounts then on deposit therein, to the O&M Expenses (other than the Performance Fee) and Major Maintenance expenses then due and payable, or reasonably projected to be due and payable, prior to the next succeeding Transfer Date with respect to the Existing Terminal B Facilities, and (ii) to the Performance Fee Account the amount necessary, if any, to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Performance Fee Account Requirement;

3. *Third*, to the Operating Account, an amount equal, when taken together with amounts then on deposit therein (excluding amounts on deposit therein to be applied with respect to the expenses described in the immediately preceding clause *Second*), to the O&M Expenses then due and payable, or reasonably projected to be due and payable, prior to the next succeeding Transfer Date with respect to the New Terminal B Facilities for which Partial Completion has been achieved prior to the applicable Transfer Date;

4. *Fourth*, to each Interest Payment Sub-Account maintained with respect to any Series of Senior Bonds, the sum of the following: (i) on and following each date indicated on Schedule 1

hereto, an amount equal to the sum of (x) the amount set forth in the Interest Amount column of Schedule 1 hereto with respect to such date, and (y) the amounts set forth in the Interest Payment column of such Schedule 1 with respect to each date that has previously occurred, and, (ii) if such Transfer Date is also an Interest Payment Date, or the last Transfer Date before an Interest Payment Date, any other amount required to make the amount credited to the relevant Interest Payment Sub-Account equal to the amount payable on the applicable Series of Senior Bonds on such Interest Payment Date, and (iii) the sum of any continuing shortfall in transfers required to have been made on any preceding Transfer Date; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Fourth*, transfers shall be made to the various Interest Payment Sub-Accounts maintained with respect to any Series of Senior Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; and provided further that if and to the extent amounts in the Pre-Substantial Completion Revenue Account are insufficient to make all payments of interest on each Series of Bonds on any Interest Payment Date, the Collateral Agent shall, without need of direction from the Borrower, transfer from, first, the Operating Cashflow Sub-Account of the Construction Account, and then, if needed, the Bond Proceeds Subaccount established with respect to such Series of Bonds, the balance of the amount needed to pay interest on such Series of Bonds on such Interest Payment Date;

5. *Fifth*, to each Debt Service Reserve Sub-Account maintained with respect to any Series of Senior Bonds the amount necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein, including amounts transferred at the direction of the Borrower from the various subaccounts of the Construction Account) equals the relevant Debt Service Reserve Requirement with respect to such Series of Senior Bonds; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Fifth*, transfers shall be made to the various Debt Service Reserve Sub-Accounts maintained with respect to any Series of Senior Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; and

6. *Sixth*, in the following order of priority, *first*, to any Interest Payment Sub-Account maintained with respect to any Series of Subordinate Bonds; provided that if there are insufficient funds available on the Transfer Date to make such deposits, transfers shall be made to the various Interest Payment Sub-Accounts maintained with respect to any Series of Subordinate Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; *second*, to any Principal Payment Sub-Account maintained with respect to any Series of Subordinate Bonds; provided that if there are insufficient funds available on the Transfer Date to make such deposits, transfers shall be made to the various Principal Payment Sub-Accounts on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; and *third*, to any Debt Service Reserve Sub-Account maintained with respect to any Series of Subordinate Bonds, in each case in the amounts required pursuant to the terms of the Supplemental Indenture pursuant to which such Series of Subordinate Bonds were issued; provided that if there are insufficient funds available on the Transfer Date to make the such deposits, transfers shall be made to the various Debt Service Reserve Sub-Accounts maintained with respect to the Subordinate Bonds on a pro rata basis measured by the amounts of the respective deficiencies in the applicable sub-accounts; and

7. *Seventh*, all remaining amounts (if any) to be transferred to the Operating Cashflow Sub-Account within the Construction Account, unless the Borrower directs that any portion of such amounts be retained in the Pre-Substantial Completion Revenue Account.



Notwithstanding the foregoing, the Collateral Agent shall automatically make the transfers described in clauses *First*, *Fourth*, *Fifth*, and *Sixth* even if not instructed to do so in the relevant Funds Transfer Certificate from the Borrower.

Not less than three (3) Business Days prior to each Transfer Date, the Trustee shall notify the Collateral Agent and the Borrower of: (i) the amount due on the next Interest Payment Date with respect to each Series of Bonds, (ii) the number of months in the applicable interest period for each Series of Bonds, (iii) the amount of the required transfer for payment of interest with respect to each Series of Bonds as of the applicable Transfer Date, (iv) the Debt Service Reserve Requirement as of the applicable Transfer Date for each Series of Bonds, and (v) the amount of any deficiency required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement for each Series of Bonds as of the applicable Transfer Date.

(c) On the End of Funding Date, all remaining funds, if any, then on deposit in the Pre-Substantial Completion Revenue Account in excess of the Withheld Revenue Amount shall be transferred to the Post-Substantial Completion Revenue Account. If any funds remain in the Pre-Substantial Completion Revenue Account following such transfer, the Pre-Substantial Completion Revenue Account shall remain open and such funds shall remain in such account until the Borrower and the Port Authority agree on how such funds shall be used pursuant to the Lease Agreement, following which agreement the Collateral Agent shall receive instructions from the Borrower regarding the use of such funds, which instructions shall be counter-signed by the Port Authority, provided that, if it is proposed that any such funds be (i) distributed to the Borrower or to the Equity Members, such funds shall first be deposited into the Distribution Account, for application in accordance with the terms of Section 5.13(c), or (ii) used to pay Second Additional Rent, such funds shall first be deposited into the Second Additional Rent, for application in accordance with Section 5.13(b). Such transfers shall be pursuant to a Funds Transfer Certificate (in substantially the form attached hereto).

### **Section 5.03 Post-Substantial Completion Revenue Account.**

(a) On the End of Funding Date, following the transfers into the Post-Substantial Completion Revenue Account from the Sub-Accounts of the Construction Account described in Section 5.04(k), the Collateral Agent shall transfer from the Post-Substantial Completion Revenue Account to the Operating Cashflow Sub-Account of the Construction Account an amount equal to the difference, if any, between the Unused Contingency Amount and the Distributable Unused Contingency Amount (the amount of such difference being specified by the Borrower to the Collateral Agency in writing on or prior to the End of Funding Date). Such transfer shall be pursuant to a Funds Transfer Certificate (in substantially the form attached hereto). After the End of Funding Date, the Borrower shall promptly deposit or cause to be deposited into the Post-Substantial Completion Revenue Account (i) all Project Revenues and all other amounts received by the Borrower from any source whatsoever, except for (x) the Non-Pledged Receipts and (y) amounts deposited in other Project Accounts pursuant to this Article V, and (ii) and amounts transferred from other Project Accounts as required by the terms of this Agreement. Pending such deposit, the Borrower will hold all such amounts received by it in trust for the benefit of the Secured Parties in accordance with the terms hereof.

(b) The Collateral Agent shall, on each Transfer Date occurring after the Substantial Completion Date, make the following withdrawals, transfers and payments from the Post-Substantial Completion Revenue Account in the amounts, at the times and only for the purposes specified below at the request of the Borrower in a Funds Transfer Certificate (in substantially the form attached hereto) and in the following order of priority, after giving effect to any other transfers into the Project Accounts specified below as instructed by the Borrower (in accordance with the terms hereof) to be made on or prior to such Transfer Date (it being agreed that no amount shall be withdrawn or transferred on any date

pursuant to any clause below until amounts sufficient as of that date (to the extent applicable) for all the purposes specified under the prior clauses shall have been withdrawn or transferred):

1. *First*, in the following order of priority (i) if any Rebate Amount is due under the Indenture, to fund the Rebate Account in an amount equal to such Rebate Amount, and thereafter (ii) *pro rata* to pay all fees, administrative costs and expenses then due and payable under the Financing Documents to the Collateral Agent, the Securities Intermediary, the Deposit Account Bank, the Trustee or the Issuer, and to pay any costs of any Nationally Recognized Rating Agencies applicable to the Project (to the extent such amounts have not previously been disbursed from the Operating Account or the Construction Account for such purposes);

2. *Second, pro rata*, to (x) the Operating Account, an amount sufficient, when taken together with amounts then on deposit therein, to pay (i) the O&M Expenses (other than the Performance Fee), (ii) Major Maintenance expenses (to the extent funds on deposit in the Major Maintenance Reserve Account are not sufficient to pay such Major Maintenance expenses), and (iii) any other amounts due to the Port Authority (except amounts payable as First Additional Rent or Second Additional Rent), in each case to the extent then due and payable, or reasonably projected to be due and payable, prior to the next succeeding Transfer Date, (y) the Handback Reserve Account to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Handback Amount, if any, and (z) to the Performance Fee Account the amount necessary, if any, to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Performance Fee Account Requirement as certified to the Collateral Agent by the Borrower;

3. *Third*, to each Interest Payment Sub-Account maintained with respect to any Series of Senior Bonds the sum of (i) one-sixth (1/6) of the amount of the interest payable on the relevant Series of Senior Bonds on the next Interest Payment Date therefor, (ii) if such Transfer Date is also an Interest Payment Date, or the last Transfer Date before an Interest Payment Date, any other amount required to make the amount credited to the relevant Interest Payment Sub-Account equal to the amount payable on the applicable Series of Senior Bonds on such Interest Payment Date, and (iii) the sum of any continuing shortfall in transfers required to have been made on any preceding Transfer Date; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Third*, transfers shall be made to the various Interest Payment Sub-Accounts maintained with respect to any Series of Senior Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account;

4. *Fourth*, (i) commencing six months before the first Principal Payment Date (including any mandatory sinking fund redemption date) with respect to any Senior Bonds with semi-annual Principal Payment Dates and sinking fund redemption dates, to the relevant Principal Payment Sub-Account one-sixth (1/6) of the principal due on such Senior Bonds on the next Principal Payment Date therefor, (ii) if the Transfer Date is also a Principal Payment Date (including any mandatory sinking fund redemption date) or the last Transfer Date before a Principal Payment Date (or mandatory sinking fund redemption date), any other amount required to make the amount credited to relevant Principal Payment Sub-Account equal to the amount of principal due with respect to such Senior Bonds on such Principal Payment Date or mandatory sinking fund redemption date, and (iii) the sum of any shortfall in transfers required to have been made on any previous Transfer Date; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Fourth*, transfers shall be made to the various Principal Payment Sub-Accounts on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account;

5. *Fifth*, on the Transfer Date immediately preceding the due date of the First Additional Rent, to the Operating Account, an amount sufficient to make such payment to the Port Authority as directed by the Borrower;

6. *Sixth*, to each Debt Service Reserve Sub-Account maintained with respect to any Series of Senior Bonds, to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the relevant Debt Service Reserve Requirement with respect to such Series of Senior Bonds; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Sixth*, transfers shall be made to the various Debt Service Reserve Sub-Accounts maintained with respect to the Senior Bonds on a pro rata basis measured by the amounts of the respective deficiencies in the applicable sub-accounts;

7. *Seventh*, to the O&M Reserve Account to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the O&M Reserve Requirement;

8. *Eighth*, on the Transfer Date immediately following each Calculation Date, to the Major Maintenance Reserve Account to the extent necessary to fund such account so that the balance therein (taking into account amounts then on deposit therein) equals the Major Maintenance Reserve Requirement as of such Calculation Date;

9. *Ninth*, in the following order of priority, *first*, to any Interest Payment Sub-Account maintained with respect to any Series of Subordinate Bonds, the amount specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds are issued (which may be monthly accruals of the interest amount to become due); provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Ninth*, transfers shall be made to the various Interest Payment Sub-Accounts maintained with respect to any Series of Subordinate Bonds on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; *second*, to any Principal Payment Sub-Account maintained with respect to any Series of Subordinate Bonds, the amount specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds are issued (which may be monthly accruals of the principal payment to become due); provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Ninth*, transfers shall be made to the various Principal Payment Sub-Accounts on a pro rata basis measured by the amounts required to be transferred to each applicable sub-account; and *third*, to any Debt Service Reserve Sub-Account maintained with respect to any Series of Subordinate Bonds, the amount specified in Indenture; provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above in this clause *Ninth*, transfers shall be made to the various Debt Service Reserve Sub-Accounts maintained with respect to the Subordinate Bonds on a pro rata basis measured by the amounts of the respective deficiencies in the applicable sub-accounts;

10. *Tenth*, on the Transfer Date immediately following each Calculation Date, as specified in the relevant Funds Transfer Certificate from the Borrower, to the Airline Discount Account, the Airline Amount; and

11. *Eleventh*, on the Transfer Date immediately following each Calculation Date, as specified in the relevant Funds Transfer Certificate from the Borrower, (i) to the Second Additional Rent Account, the amount required to be paid to the Port Authority as Second Additional Rent

pursuant to the Lease Agreement and (ii) all remaining amounts following the transfer described in the preceding clause (i), to the Distribution Account.

Notwithstanding the foregoing, the Collateral Agent shall automatically make the transfers described in clauses *First (i), Third, Fourth, Sixth and Ninth* even if not instructed to do so in the relevant Funds Transfer Certificate from the Borrower.

Not less than three (3) Business Days prior to each Transfer Date, the Trustee shall notify the Collateral Agent and the Borrower of: (i) the amount due on the next Interest Payment Date and Principal Payment Date with respect to each Series of Bonds, (ii) the number of months in the applicable interest period for each Series of Bonds, (iii) the amount of the required transfer for payment of principal and interest with respect to each Series of Bonds as of the applicable Transfer Date, (iv) the Debt Service Reserve Requirement as of the applicable Transfer Date for each Series of Bonds, and (v) the amount of any deficiency required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement for each Series of Bonds as of the applicable Transfer Date.

(c) To the extent that on any date of determination amounts on deposit in (i) any Debt Service Reserve Sub-Account are in excess of the relevant Debt Service Reserve Requirement, (ii) O&M Reserve Account are in excess of the relevant O&M Service Reserve Requirement, or (iii) the Major Maintenance Reserve Account are in excess of the Major Maintenance Reserve Requirement, as applicable, such excess amounts shall be transferred by the Collateral Agent to the Post-Substantial Completion Revenue Account; provided, however, that if any proceeds of a Series of Tax-Exempt Bonds are on deposit in the Tax-Exempt Debt Bond Service Reserve Sub-Account established for such Series of Bonds, such excess amounts shall be transferred to the Tax-Exempt Bond Interest Payment Sub-Account established for such Series of Bonds.

(d) If on any Transfer Date, following the making of the transfers required to be made from the Post-Substantial Completion Revenue Account pursuant to clauses *first* through *ninth* under Section 5.03(b), inclusive, the amounts on deposit in the Post-Substantial Completion Revenue are not sufficient to make such transfers in full, the Collateral Agent shall (notwithstanding any other provision hereof and without the need for a Funds Transfer Certificate), transfer funds, *first*, from the Performance Fee Account, the Distribution Account, and the Second Additional Rent Account (*pro rata* based on the respective balances in such accounts), *second*, from the Working Capital Reserve Account (if open), *third* from the Major Maintenance Reserve Account, *fourth*, from the O&M Reserve Account, *fifth, pro rata* from any Debt Service Reserve Sub-Account established with respect to any Subordinate Bonds, *sixth, pro rata* from any Principal Payment Sub-Account established with respect to any Subordinate Bonds, *seventh, pro rata* from any Interest Payment Sub-Account established with respect to any Subordinate Bonds, *eighth, pro rata* from any Debt Service Reserve Sub-Account established with respect to any Senior Bonds, *ninth*, from any Principal Payment Sub-Account established with respect to any Senior Bonds, *tenth, pro rata* from any Interest Payment Sub-Account established with respect to any Senior Bonds, and, *eleventh*, from the Operating Account and, in each case in order to fund shortfalls in the clauses set forth above under Section 5.03(b) in the order of priority such clauses appear in Section 5.03(b).

#### **Section 5.04 Construction Account.**

(a) From and after the Lease Commencement Date, the Borrower shall maintain the Construction Account, with the sub-accounts specified in Section 5.01(a)(iii) above.

(b) The Collateral Agent shall deposit (and the Borrower shall cause the same to be deposited with the Collateral Agent promptly following receipt by the Borrower):

(i) into the Tax-Exempt Bond Proceeds Sub-Account, on the Lease Commencement Date, all proceeds from the issuance of the Series 2016A Bonds (other than the amount required to be deposited into the 2016A Tax-Exempt Bond Capitalized Interest Sub-Account pursuant to Section 5.07(b) or the Working Capital Reserve Account pursuant to Section 5.08(a)) received by the Borrower pursuant to the terms of the Loan Agreements and thereafter, any interest earned on such proceeds;

(ii) into the Taxable Bond Proceeds Sub-Account, on the Lease Commencement Date, all proceeds from the issuance of the Series 2016B Bonds (other than the amount required to be deposited into the 2016B Taxable Bond Capitalized Interest Sub-Account, pursuant to Section 5.07(b), or the Working Capital Account pursuant to Section 5.08(a)) received by the Borrower pursuant to the terms of the Loan Agreements and thereafter, any interest earned on such proceeds;

(iii) into the Operating Cashflow Sub-Account, the amounts specified in Section 5.02(b)(7), unless otherwise directed by the Borrower; and

(iv) into the Equity Contribution Sub-Account, the net proceeds of any Equity Contributions, including the proceeds of any drawing on any Equity Contribution Letter of Credit, made in accordance with the Equity Contribution Agreement and the terms hereof.

There also will be deposited into the Construction Account all moneys received by the Collateral Agent that are accompanied by directions, in compliance with the terms hereof, that such moneys are to be deposited into the Construction Account.

(c) The Tax-Exempt Bond Proceeds Sub-Account will be maintained in order to account for the receipt and disbursement of proceeds (and all earnings thereon) of the Tax-Exempt Bonds, in accordance with the terms of the Indenture. A separate sub-account may be established by the Collateral Agent as a matter of accounting convenience for tracking funds for each Series of Tax-Exempt Bonds, including the Series 2016A Bonds.

(d) The Taxable Bond Proceeds Sub-Account will be maintained in order to account for the receipt and disbursement of proceeds (and all earnings thereon) for each Series of Taxable Bonds, including the Series 2016B Bonds, in accordance with the terms of the Indenture.

(e) The Borrower shall be entitled to request disbursements of monies on deposit in the Tax-Exempt Bond Proceeds Sub-Account and/or the Taxable Bond Proceeds Sub-Account at any time (up to a maximum of six (6) times per month) to (i) pay, or reimburse for a prior payment of, Project Costs (including payment of Capitalized Interest) due or owing in compliance with the Indenture and the Loan Agreements, and/or (ii) to fund or partially fund (x) the Debt Service Reserve Sub-Accounts established for the Tax-Exempt Bonds and/or the Taxable Bonds, as applicable, and/or (y) the Interest Payment Sub-Accounts established for the Tax-Exempt Bonds and/or the Taxable Bonds, and/or (z) the Principal Payment Sub-Accounts established for the Tax-Exempt Bonds and/or the Taxable Bonds, in each case only in compliance with the Code and the Tax Certificate and upon delivery by the Borrower to the Collateral Agent, not later than the third (3rd) Business Day prior to the proposed transfer date, of a Construction Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached hereto, setting forth the matters contemplated therein, together with a certificate of the Technical Advisor substantially in the form attached hereto, setting forth the matters contemplated therein.

(f) Notwithstanding the foregoing, the Borrower shall be entitled to a disbursement of funds on the date of issuance of a Series of Bonds (including, without limitation, the Series 2016 Bonds) by providing the Construction Account Withdrawal Certificate contemplated above on or prior to such date of issuance (without giving effect to the three (3) Business Day requirement contemplated above).

(g) Moneys in the Operating Cashflow Sub-Account may be (i) withdrawn, transferred and paid each month (or at any other time as requested, up to a maximum of six (6) times per month) in the amounts required to pay Project Costs (including payment of Capitalized Interest) due and owing at such time upon delivery by the Borrower to the Collateral Agent, not later than the third (3rd) Business Day prior to the proposed transfer date, of a Construction Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached hereto, setting forth the matters contemplated therein, together with a certificate of the Technical Advisor substantially in the form attached hereto, setting forth the matters contemplated therein, and/or (ii) transferred each month to fund or partially fund the Debt Service Reserve Sub-Accounts, Interest Payment Sub-Accounts, or Principal Payment Sub-Accounts established for each Series of Bonds and/or the Taxable Bonds, upon delivery by the Borrower to the Collateral Agent, not later than the third (3rd) Business Day prior to the proposed transfer date, of a Construction Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached hereto.

(h) Moneys representing Equity Contributions in the Equity Contribution Sub-Account will be withdrawn, transferred or paid each month (or at any other time as requested, up to a maximum of six (6) times per month) at the direction of the Borrower to (i) pay Project Costs (including payment of Capitalized Interest) then due and payable upon delivery by the Borrower to the Collateral Agent, not later than the third (3rd) Business Day prior to the proposed transfer date, of a Construction Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached hereto, setting forth the matters contemplated therein, together with a certificate of the Technical Advisor substantially in the form attached hereto, setting forth the matters contemplated therein, and/or (ii) to fund or partially fund the Debt Service Reserve Sub-Accounts, Interest Payment Sub-Accounts, or Principal Payment Sub-Accounts established for each Series of Bonds, upon delivery by the Borrower to the Collateral Agent, not later than the third (3rd) Business Day prior to the proposed transfer date, of a Construction Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached hereto.

The Borrower may, from time to time, and to the extent permitted pursuant to the terms of the Equity Contribution Agreement, direct the Collateral Agent to draw on any Equity Contribution Letter of Credit, in the amount specified by the Borrower, provided that the Borrower shall (x) certify to the Collateral Agent that such drawing is permitted pursuant to the terms of the Equity Contribution Agreement and (y) identify to the Collateral Agent the basis for such drawing under the Equity Contribution Agreement, in which event the Collateral Agent shall draw on the applicable Equity Contribution Letter of Credit as directed by the Borrower. The Port Authority shall have the right to direct the Collateral Agent to draw on any Equity Contribution Letter of Credit for the remaining amount of the applicable Unfunded Equity Commitment (as defined in the Equity Contribution Agreement) if an Equity Member shall have failed to make any Equity Contribution under the Equity Contribution Agreement by the date of Substantial Completion. If, by the second (2<sup>nd</sup>) Business Day preceding the date on which transfers contemplated in this paragraph (h) above are required to be made, the cash funds on deposit in the Equity Contribution Sub-Account are not sufficient to make such transfers in full, the Collateral Agent shall notify the Borrower and, without direction from the Borrower, issue one or more Shortfall Contribution Notices in the form attached hereto to the Equity Members pursuant to the Equity Contribution Agreement requesting the deposit of Equity Contributions in an aggregate amount equal to such shortfall. If an Equity Member fails to make the required Equity Contribution pursuant to such Shortfall Contribution

Notice, the Collateral Agent shall draw on the applicable Equity Contribution Letter of Credit in an amount equal to the amount requested in the applicable Shortfall Contribution Notice.

In no event shall the undrawn amount of any Equity Contribution Letter of Credit be deemed to be credited to, or otherwise in deposit in, the Equity Contribution Sub-Account or any other Project Account.

Further, the Collateral Agent shall (without direction from the Borrower or the Port Authority) draw on an Equity Contribution Letter of Credit if: (i) the Equity Member that furnished such Equity Contribution Letter of Credit shall have failed to make any Equity Contribution required under the Equity Contribution Agreement (including any contribution required by a Contribution Notice delivered by the Collateral Agent pursuant to the terms of the Equity Contribution Agreement, which Contribution Notices shall be in substantially the form attached hereto) and such failure shall have continued until the close of business for the bank issuer of the applicable Equity Contribution Letter of Credit on the second (2<sup>nd</sup>) Business Day after the due date for such contribution, in which case the amount of the draw shall be equal to the amount required but not provided pursuant to the Equity Contribution Agreement (ii) in the entire available amount thereunder if such Equity Contribution Letter of Credit is not replaced thirty (30) days prior to expiry thereof with immediately available funds or with a replacement Acceptable Letter of Credit (in substantially similar form), (iii) in the entire available amount thereunder if the Borrower notifies the Collateral Agent that the issuer of such Equity Contribution Letter of Credit no longer constitutes an Eligible LC Issuer (as defined in the Lease Agreement) and the Equity Member has failed to deliver a new Equity Contribution Letter of Credit within twenty (20) Business Days after the applicable Equity Member learns of such issuer's failure to constitute an Eligible LC Issuer, or (iv) in the entire available amount thereunder if the Collateral Agent has received written notice from the Borrower, the Port Authority or the Trustee that the Lease has been terminated by the Port Authority as the result of an Event of Default by the Borrower thereunder. Proceeds of draws on any Equity Contribution Letter of Credit shall be deposited in the Equity Contribution Sub-Account and applied in accordance with the terms of this Agreement.

(i) Subject to the rights of the Port Authority to direct the Collateral Agent as expressly set forth in subsection (l) of this Section 5.04, the Collateral Agent shall comply with any requisition received pursuant to this Section 5.04; provided, that if any request for payment, withdrawal or transfer of funds is not in compliance with this Agreement, the Collateral Agent shall notify the Borrower and the Port Authority in writing of such non-compliance and the Borrower shall not be entitled to cause such proposed payment, withdrawal or transfer until such time as it has submitted a revised requisition which complies with the terms hereof or thereof (and upon the Collateral Agent's receipt and approval of such revised requisition, the Collateral Agent shall notify the Borrower and the Port Authority in writing of such receipt and approval) and provided, further, that the failure to give any such notice shall not be deemed to be an approval of the proposed payment, withdraw or transfer or a waiver of any rights of the Secured Parties with respect thereto. Except as contemplated in the immediately preceding sentence, the Borrower shall, in the absence of an Event of Default having occurred and being continuing, be entitled to withdraw funds from all of the accounts contemplated herein for the purposes (and in accordance with the terms) set forth herein. Upon receipt of a notice of an Event of Default, and solely during the continuance thereof, the Collateral Agent shall comply with the requirements of Section 5.22(d) hereof.

(j) On the End of Funding Date, except as otherwise required by any applicable Law, to the extent that there shall be funds remaining on deposit in the Tax-Exempt Bond Proceeds Sub-Account or Taxable Bond Proceeds Sub-Account, such amounts shall be applied as follows:

*First*, if any Rebate Amount is due under the Indenture, to fund the Rebate Account in an amount equal to such Rebate Amount;

*Second*, amounts will be retained in the Construction Account for the payment of any remaining incurred or scheduled, but unpaid, Project Costs (“Unpaid Project Costs”); and

*Third*, to the extent there are additional funds remaining on deposit in the Tax-Exempt Bond Proceeds Sub-Account for a Series of Tax-Exempt Bonds, such funds shall be retained in the Tax-Exempt Bond Proceeds Sub-Account and applied to redeem, in consultation with Bond Counsel, a pro rata portion of such Series of Tax-Exempt Bonds pursuant to the Indenture, provided that no such extraordinary redemption will be required if the Borrower has delivered to the Collateral Agent and the Trustee a Favorable Opinion of Bond Counsel.

(k) Following compliance with Section 5.04(j), and subject to compliance with the Code (and, with respect to the Tax-Exempt Bond Proceeds Sub-Account and the Taxable Bond Proceeds Sub-Account, the Tax Certificate), on the End of Funding Date, up to \$45,000,000 (such amount up to \$45,000,000 to be determined by the Borrower) of the funds then on deposit in the Construction Account or any sub-accounts thereof (excluding amounts required to be applied pursuant to Section 5.04(j)), shall be transferred to the Post-Substantial Completion Revenue Account at the direction of the Borrower, except that no proceeds of the Series 2016A Bonds nor any investment earnings thereon shall be transferred from the Tax-Exempt Bond Proceeds Sub-Account unless the Borrower certifies that all proceeds of the Series 2016A Bonds and any investment earnings thereon have been allocated to expenditures for federal income tax purposes and delivers to the Collateral Agent and the Trustee a Favorable Opinion of Bond Counsel. Any amounts remaining in the Construction Account (or any sub-account thereof) following: (i) such transfer to the Post-Substantial Completion Revenue Account (other than amounts retained in the Construction Account for the payment of Unpaid Project Costs pursuant to Section 5.04(j)(second)) and (ii) the transfer from the Post-Substantial Completion Revenue Account to the Operating Cashflow Sub-Account of the Construction Account described in Section 5.03(a), shall be applied to the defeasance or redemption of Series 2016 Bonds or any other qualifying use under the Financing Documents (such as costs of subsequent modifications to the Construction Project (as defined in the Lease Agreement)), as may be determined by the Borrower.

(l) If the Borrower directs the Collateral Agent to draw on the Construction Security furnished by the D&C Contractor, the Collateral Agent shall promptly effectuate such draw in accordance with such direction, provided that the Borrower shall (i) certify to the Collateral Agent that such drawing is permitted pursuant to the terms of the D&C Contract and (ii) identify to the Collateral Agent the basis for such drawing under the applicable Construction Security. Further, the Collateral Agent shall (without direction from the Borrower or the Port Authority) draw on a D&C Letter of Credit for the entire available amount if: (i) such letter of credit is not replaced sixty (60) days prior to expiry thereof with immediately available funds or with a replacement Acceptable Letter of Credit (in substantially similar form), (ii) within ten (10) days of being notified by the Borrower of a downgrade of the issuer of a D&C Letter of Credit such that it is no longer an Eligible LC Issuer, the Borrower shall not have provided a replacement Acceptable Letter of Credit (in substantially similar form) or cash. The Borrower shall promptly notify the Collateral Agent upon the Borrower becoming aware of a downgrade of the issuer of a D&C Letter of Credit such that it is no longer an Eligible LC Issuer. The proceeds of any such draw on the Construction Security shall be deposited by the Collateral Agent into the Operating Cashflow Subaccount, if such draw occurs prior to the End of Funding Date, or otherwise into the Post-Substantial Completion Revenue Account, unless such draw was for the purposes of satisfying the D&C Contractor’s obligation to pay liquidated damages, in which event the proceeds from such draw shall be deposited into the Pre-Substantial Completion Revenue Account or the Post-Substantial Completion Revenue Account, as applicable. The Port Authority shall have the right to receive, from such draw proceeds, the



reimbursement amounts (if any) described in the Lease Agreement to compensate the Port Authority for performing (or causing to be performed) any Defect rectification in compliance with the Port Authority's step-in rights to perform such Defect rectification pursuant to the Lease Agreement, subject to the rights of the Secured Parties (as Lenders) under the applicable section of the Lease Agreement, and the Borrower shall promptly direct the Collateral Agent to make such reimbursement payment to the Port Authority from such draw proceeds. In the event that the Port Authority has succeeded to the Lessee's position under the D&C Contract, subject to the cure rights of the Secured Parties (as Lenders) under the Lease Agreement and under the D&C Contractor Direct Agreement, and has made all termination payments, if any due to the Borrower under the Lease Agreement, the Collateral Agent shall, at the direction of the Port Authority, transfer and assign its interests in the Construction Security to the Port Authority.

#### **Section 5.05 Debt Service Reserve Account.**

(a) Each Debt Service Reserve Sub-Account will be established solely for the benefit of the Bondholders of the relevant Series of Bonds, and will be held by the Collateral Agent, and the Security Interest thereon maintained, for the exclusive benefit only of such Bondholders. Each Senior Debt Service Reserve Sub-Account will be funded by the Borrower as and when set forth in Schedule 1 to this Agreement, from the Pre-Substantial Completion Revenue Account in accordance with Section 5.02(b)(5), or the sub-accounts of the Construction Account in accordance with Section 5.04(e), (g) and/or (h), in an amount equal to the relevant Debt Service Reserve Requirement for each Series of Bonds. From and after the End of Funding Date, each Senior Debt Service Reserve Sub-Account will be funded in accordance with Section 5.03(b)(6), in an amount equal to the relevant Debt Service Reserve Requirement. For purposes of clarification, the Debt Service Reserve Requirement with respect to each Senior Debt Service Reserve Sub-Account increases by the amounts set forth in Schedule 1 upon each date set forth on Schedule 1. Before and after the End of Funding Date, each Subordinate Debt Service Reserve Sub-Account will be funded by the Borrower in the amounts (if any) specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds were issued, in accordance with Section 5.02(b)(6) or Section 5.03(b)(9) hereof, as applicable. Except as expressly provided in subsection (d) below, any amounts on deposit in any Debt Service Reserve Sub-Account in excess of the applicable Debt Service Reserve Requirement shall be applied in accordance with the requirements of Section 5.03(c) hereof.

(b) Moneys on deposit in the Debt Service Reserve Account shall be used by the Collateral Agent (without the requirement of a Funds Transfer Certificate) as follows:

(i) if on any Transfer Date immediately preceding or occurring on an Interest Payment Date, Principal Payment Date (including any mandatory sinking fund redemption date) or mandatory sinking fund redemption date, as applicable, after giving effect to the transfers from the Post-Substantial Completion Revenue Account contemplated in *third, fourth, or ninth*, as applicable in Section 5.03(b), the funds on deposit in the Bond Interest Sub-Account or Bond Principal Sub-Account established with respect to a Series of Bonds are insufficient to pay the interest, principal, or redemption price on such Series of Bonds on the applicable Interest Payment Date, Principal Payment Date or mandatory Redemption Date, funds on deposit in Debt Service Reserve Sub-Account established for such Series of Bonds will be transferred to the Bond Interest Sub-Account or Bond Principal Sub-Account for such Series of Bonds, as applicable, for payment of interest, principal or redemption price with respect to such Series of Bonds as of such Interest Payment Date, Principal Payment Date or mandatory sinking fund redemption date, as applicable;

(ii) in accordance with Section 5.03(d) above; and

(iii) following the taking of an Enforcement Action, moneys in the Debt Service Reserve Account shall be applied in the manner set forth in Section 6.06.

(c) Notwithstanding any other provision of this Agreement to the contrary, the Borrower may, upon notice to the Collateral Agent and the Trustee, substitute all or any portion of the cash or Eligible Investments on deposit in any Debt Service Reserve Sub-Account with an Acceptable Letter of Credit in favor of the Collateral Agent (substantially in the form attached hereto) for purposes of such Debt Service Reserve Sub-Account, provided that, with respect to any Debt Service Reserve Sub-Account holding the proceeds of any Tax-Exempt Bonds, no such substitution shall be made until the Borrower has delivered to the Collateral Agent and the Trustee a Favorable Opinion of Bond Counsel with respect to the relevant Series of Tax-Exempt Bonds. In the event that the Borrower substitutes cash or Eligible Investments on deposit in the Debt Service Reserve Sub-Account with such Acceptable Letter of Credit, and delivers any such Acceptable Letter of Credit to the Collateral Agent, the cash or Eligible Investments so substituted will (notwithstanding the terms of Section 5.03(c)) be transferred to the Distribution Account without (and not subject to) any conditions, restrictions or limitations. The undrawn face value of any such Acceptable Letter of Credit shall be included when calculating the balance on deposit in such Debt Service Reserve Sub-Account.

(d) The Borrower may, from time to time, direct the Collateral Agent to draw on any Acceptable Letter of Credit furnished pursuant to Section 5.05(c), in the amount specified by the Borrower. If the cash funds on deposit in any Debt Service Reserve Sub-Account are not sufficient to make in full the transfers required under Section 5.03(d) or Section 5.05(b), the Collateral Agent shall (without direction from the Borrower) draw on any Acceptable Letter of Credit furnished pursuant to Section 5.05(c) with respect to such sub-account, in an amount equal to such shortfall. Further, the Collateral Agent shall (without direction from the Borrower or the Port Authority) draw on such Acceptable Letter of Credit for the entire available amount if: (i) such letter of credit is not replaced thirty (30) days prior to expiry thereof with immediately available funds or with a replacement Acceptable Letter of Credit (in substantially similar form), (ii) within twenty (20) days of being notified by the Borrower that there has been a downgrade of the issuer such that it is no longer an Eligible LC Issuer, the Borrower shall not have provided a replacement Acceptable Letter of Credit (in substantially similar form) or cash, or (iii) an Event of Default has occurred and is continuing. The Borrower shall promptly notify the Collateral Agent upon the Borrower becoming aware of a downgrade of the issuer of an Acceptable Letter of Credit furnished pursuant to Section 5.05(c), such that it is no longer an Eligible LC Issuer. Proceeds of draws on an Acceptable Letter of Credit substituting for cash or securities in a particular Debt Service Reserve Sub-Account shall be deposited in such sub-account and applied in accordance with the terms of this Agreement.

(e) If the Collateral Agent is required to make an unscheduled transfer of funds from any Debt Service Reserve Account to any Bond Payment Account, the Collateral Agent shall, on the applicable Transfer Date, send notice to the Borrower, the Trustee and the Disclosure Dissemination Agent.

#### **Section 5.06 Bond Redemption Sub-Accounts.**

(a) A separate Bond Redemption Sub-Account will be established for each Series of Bonds.

(b) In the event that the Borrower elects to cause the Trustee to redeem any Series of Bonds in accordance with the provisions of the Indenture governing optional or extraordinary redemptions, the Bond Redemption Sub-Account established for each such Series of Bonds will be funded by the Borrower

from amounts provided by the Borrower (in accordance with the terms hereof) for such purposes, provided however that funds used for extraordinary redemptions of any Series of Bonds in accordance with Section 3.03 of the Indenture shall be provided from amounts described in Sections 5.04(j)(third) or 5.04(k) hereof, as applicable, or from the sources described in the Indenture with respect to certain extraordinary redemptions.

(c) Moneys on deposit in the Bond Redemption Sub-Account established for a Series of Bonds shall be transferred by the Collateral Agent to the Trustee (without the requirement of a Funds Transfer Certificate) to effectuate any redemption of Bonds of such Series required under the provisions of the Indenture governing optional or extraordinary redemptions, as applicable. Following the taking of an Enforcement Action, moneys in all Bond Redemption Sub-Accounts (other than moneys held exclusively in a defeasance escrow and irrevocably held in trust for the redemption of particular Bonds in accordance with Section 7.01 of the Indenture) shall be applied in the manner set forth in Section 6.06.

### **Section 5.07 Capitalized Interest Account.**

(a) A separate Capitalized Interest Sub-Account will be established within the Capitalized Interest Account solely for the benefit of the Bondholders of the Series of Bonds for which the subaccount was established, and will be held by the Collateral Agent, and the Security Interest thereon maintained, for the exclusive benefit only (except as set forth in clause (d)(ii) of this Section 5.07) of Bondholders owning Bonds of the Series for which the Capitalized Interest Sub-Account is established.

(b) The 2016A Tax-Exempt Bond Capitalized Interest Sub-Account will be funded by the Borrower on the Lease Commencement Date from a portion of the proceeds of the Series 2016A Bonds in an amount equal to \$367,498,029.25. The 2016B Taxable Bond Capitalized Interest Sub-Account will be funded by the Borrower on the Lease Commencement Date from a portion of the proceeds of the Series 2016B Bonds in an amount equal to \$19,744,062.65.

(c) Prior to each Interest Payment Date occurring before the End of Funding Date, the Borrower shall submit a Funds Transfer Certificate, substantially in the form attached to the Collateral Agent (which certificate shall be without conditions) identifying the amounts from the applicable Capitalized Interest Sub-Account, the 2016A Tax-Exempt Bond Interest Payment Sub-Account, the 2016B Taxable Bond Interest Payment Sub-Account, and/or the sub-accounts of the Construction Account, as applicable, to be used to pay capitalized interest on the applicable Interest Payment Date.

(d) Amounts on deposit in the Capitalized Interest Account shall be used by the Collateral Agent (without the requirement of a Funds Transfer Certificate) as follows:

(i) if on any Interest Payment Date occurring on or prior to the End of Funding Date, monies on deposit in the 2016A Tax-Exempt Bond Interest Payment Sub-Account and/or the 2016B Taxable Bond Interest Payment Sub-Account are not sufficient to make the Interest Payments due from such Interest Payment sub-account on such Interest Payment Date, amounts on deposit in each Capitalized Interest Sub-Account shall be applied to the payment of interest on the Series of Bonds with respect to which such sub-account was established (so that funds on deposit in the 2016A Tax-Exempt Bond Interest Payment Sub-Account shall be used to pay interest on the Series 2016A Bonds and not on the Series 2016B Bonds), and, if such amounts are not sufficient, the Collateral Agent shall (without the requirement of a Funds Transfer Certificate) transfer an aggregate amount equal to such shortfall from, in the following order of priority: *first*, from the Operating Cashflow Sub-Account, *second, pro rata* from each other sub-account of the Construction Account and *third*, from the Working Capital Reserve Account, to the applicable Interest Payment sub-account to make such payment of interest on such Interest Payment Date

(provided that if there are insufficient funds available on the Transfer Date to make the deposits required to be made as set forth above, transfers shall be made to the various Interest Payment Sub-Accounts on a *pro rata* basis, measured by the amounts required to be transferred to each applicable sub-account); and

(ii) following the taking of an Enforcement Action, amounts on deposit in the Capitalized Interest Account shall be applied in the manner set forth in Section 6.06.

(e) The Borrower shall be entitled to request disbursements of monies on deposit in the Capitalized Interest Account to pay or reimburse Project Costs, in compliance with the Code and the Tax Certificate, by delivery to the Collateral Agent, not later than the third (3<sup>rd</sup>) Business Day prior to the proposed date of disbursement, a Funds Transfer Certificate, substantially in the form attached, setting forth the matters contemplated therein. Such requisition shall be accompanied by a signed certification from the Technical Advisor substantially in the form of Exhibit K hereto, setting forth the matters contemplated therein.

### **Section 5.08 Working Capital Reserve Account.**

(a) On the Lease Commencement Date, the Working Capital Reserve Account will be funded in an amount equal to the Working Capital Reserve Amount from the proceeds of the Series 2016 Bonds, but in no event shall the amount of proceeds of the Series 2016A Bonds that are deposited in the Working Capital Reserve Account exceed \$20,000,000. To the extent that the Working Capital Reserve Account is funded from the proceeds of the Series 2016A Bonds, the Borrower shall, in consultation with Bond Counsel, reallocate those proceeds of the Series 2016A Bonds and all investment earnings thereon, whether or not still held in the Working Capital Reserve Account, for federal income tax purposes by December 31, 2018, to expenditures for “Airport Facilities,” as defined in the Tax Certificate.

(b) All amounts on deposit in the Working Capital Reserve Account shall be available exclusively (x) to cover, on any relevant payment date, any shortfall in (i) the payment of O&M Expenses after the making of the transfers contemplated in Section 5.02(b), clauses *first*, *second* and *third*, (ii) second, interest payments on any Series of Bonds and (iii) third, principal payments on any Series of Bonds, and (y) for application in accordance with Section 5.03(d).

(c) Notwithstanding the foregoing Section 5.08(b), the Borrower shall be entitled to request a disbursement of funds on the date of issuance of the Series 2016A and Series 2016B Bonds from the Working Capital Reserve Account into the Operating Account (by providing written instructions to the Collateral Agent on or prior to such date of issuance) in an amount certified by the Borrower to the Collateral Agent to be equal to the O&M Expenses (other than the Performance Fee) and Major Maintenance Expenses with respect to the Existing Terminal B Facilities reasonably projected to be due and payable prior to the next succeeding Transfer Date. To the extent that the proceeds of the Series 2016A Bonds are transferred from the Working Capital Reserve Account to the Operating Account, the Borrower shall, in consultation with Bond Counsel, reallocate those proceeds of the Series 2016A Bonds and all investment earnings thereon, whether or not still held in the Operating Account, for federal income tax purposes by December 31, 2018, to expenditures for “Airport Facilities,” as defined in the Tax Certificate.

(d) On the End of Funding Date, all remaining funds, if any, then on deposit in the Working Capital Reserve Account shall be transferred to the Post-Substantial Completion Revenue Account and the Working Capital Reserve Account shall be closed.

### **Section 5.09 O&M Reserve Account.**

(a) Promptly following the End of Funding Date, the Borrower will direct that the O&M Reserve Account be funded in an amount equal to the O&M Reserve Requirement from funds, if any, available in the Construction Account (excluding any sub-account holding Tax-Exempt Bond proceeds, unless the Borrower has delivered to the Collateral Agent and the Trustee a Favorable Opinion of Bond Counsel stating that use of any Tax-Exempt Bonds to fund the O&M Reserve Requirement will not adversely affect the exclusion of interest on any Tax-Exempt Bonds then Outstanding). On each Transfer Date after the End of Funding Date, the Collateral Agent will cause amounts in the Post-Substantial Completion Revenue Account, to the extent available, to be deposited in the O&M Reserve Account in accordance with Section 5.03(b)(7) hereof. Any amount on deposit in the O&M Reserve Account in excess of the O&M Reserve Requirement shall be applied in accordance with the requirements of Section 5.03(c) hereof.

(b) All amounts on deposit in the O&M Reserve Account shall be available exclusively for funding any shortfall in the Operating Account and as provided in Section 5.03(d) above, and will not be available for any other purpose, except in the event of an Enforcement Action against the Collateral in accordance with the terms hereof. The Borrower shall have the right, at any time, to cause the transfer, pursuant to a Funds Transfer Certificate (substantially in the form attached hereto), of amounts from the O&M Reserve Account directly into the Operating Account in the event that the amount on deposit in the Operating Account is insufficient to satisfy the O&M Expenses (other than the Performance Fee) then due and payable. The Collateral Agent shall make such transfers instructed by the Borrower from the O&M Reserve Account to the Operating Account prior to complying with Section 5.03(d) above with respect to any shortfall in the Operating Account.

(c) In the event that the Port Authority has succeeded to the Lessee's position under the Management Services Agreement pursuant to the Lease Agreement, subject to the cure rights of the Secured Parties (as Lenders) under the Lease Agreement and under the Manager Direct Agreement, and has made all termination payments, if any due to the Borrower under the Lease Agreement, the Collateral Agent shall, at the direction of the Port Authority, transfer and assign its interests in the Manager Guarantee to the Port Authority.

### **Section 5.10 Major Maintenance Reserve Account.**

(a) Promptly following the End of Funding Date the Borrower will direct that the Major Maintenance Reserve Account be funded in an amount equal to the Major Maintenance Reserve Requirement from funds, if any, available in the Construction Account (excluding any sub-account holding Tax-Exempt Bond proceeds, unless the Borrower has delivered to the Collateral Agent and the Trustee a Favorable Opinion of Bond Counsel stating that the use of proceeds of any Tax-Exempt Bonds to fund the Major Maintenance Reserve Requirement will not adversely affect the exclusion of interest on any Tax-Exempt Bonds then Outstanding). On each Transfer Date after the End of Funding Date, the Collateral Agent will cause amounts in the Post-Substantial Completion Revenue Account, to the extent available, to be deposited in the Major Maintenance Reserve Account in accordance with Section 5.03(b)(8) hereof. Except as expressly provided in sub-section (c) below, any amount on deposit in the Major Maintenance Reserve Account in excess of the Major Maintenance Reserve Requirement shall be applied in accordance with the requirements of Section 5.03(c) hereof. For purposes of clarification, the Major Maintenance Reserve Requirement will be determined by reference to the amounts set forth in the Borrower's Asset Preservation Schedule (which need not be uniform from year to year) as the Major Maintenance Reserve Requirement, which is required to be updated from time to time as set forth in the Lease Agreement, and the Major Maintenance Reserve Requirement will be adjusted to reflect the requirements set forth in the then-current Asset Preservation Schedule. Prior to the End of

Funding Date, and thereafter on an annual basis, the Borrower shall deliver to the Collateral Agent a schedule showing the Major Maintenance Reserve Requirement for the five (5) year period commencing with the year during which the schedule is delivered, together with a Borrower certification as to the accuracy of the related calculations.

(b) All amounts on deposit in the Major Maintenance Reserve Account shall be available exclusively for funding Major Maintenance, and application in accordance with Section 5.03(d) and Section 5.15, and will not be available for any other purpose, except in the event of an Enforcement Action against the Collateral in accordance with the terms hereof. The Borrower shall have the right to cause the transfer, pursuant to a Funds Transfer Certificate (substantially in the form attached hereto), of amounts from the Major Maintenance Reserve Account directly into the Operating Account at any time and from time to time for purposes of paying Major Maintenance and to the Handback Reserve Account as set forth in Section 5.15. The Collateral Agent shall make such transfers instructed by the Borrower from the Major Maintenance Reserve Account to the Operating Account prior to complying with Section 5.03(d) with respect to any shortfall in the Operating Account, and from the Major Maintenance Reserve Account to the Handback Reserve Account to fund the Handback Requirement as set forth in Section 5.15, but only to the extent that such transfer does not cause the remaining balance in the Major Maintenance Reserve Account to be below the Major Maintenance Reserve Requirement.

(c) Notwithstanding any other provision of this Agreement to the contrary, the Borrower may, upon notice to the Collateral Agent and Trustee, substitute all or any portion of the cash or Eligible Investments on deposit in the Major Maintenance Reserve Account with an Acceptable Letter of Credit (substantially in the form attached hereto) in favor of the Collateral Agent, satisfying the requirements of the Major Maintenance Performance Security under the Lease Agreement for purposes of such Major Maintenance Reserve Account. In the event that the Borrower substitutes cash or Eligible Investments on deposit in the Major Maintenance Reserve Account with such Acceptable Letter of Credit, and delivers any such Acceptable Letter of Credit to the Collateral Agent, the cash or Eligible Investments so substituted will (notwithstanding the terms of Section 5.03(c)) be transferred to the Distribution Account without (and not subject to) any conditions, restrictions or limitations. The undrawn face value of any such Acceptable Letter of Credit shall be included when calculating the balance on deposit in such Major Maintenance Reserve Account.

(d) The Borrower may, from time to time, direct the Collateral Agent to draw on the Acceptable Letter of Credit furnished pursuant to Section 5.10(c), in the amount specified by the Borrower. If the funds on deposit in the Major Maintenance Reserve Account are not sufficient to make in full the transfers (x) directed in a Funds Transfer Certificate (substantially in the form attached hereto) delivered by the Borrower or (y) required pursuant to Section 5.03(d) or Section 5.15, the Collateral Agent shall (without direction from the Borrower or the Port Authority) draw on such Acceptable Letter of Credit in an amount equal to such shortfall. Further, the Collateral Agent shall (without direction from the Borrower or the Port Authority) draw on such Acceptable Letter of Credit for the entire available amount if: (i) such letter of credit is not replaced thirty (30) days prior to expiry thereof with immediately available funds or with a replacement Acceptable Letter of Credit (in substantially similar form), (ii) within twenty (20) days of being notified by the Borrower that there has been a downgrade of the issuer such that it is no longer an Eligible LC Issuer, the Borrower shall not have provided a replacement Acceptable Letter of Credit (in substantially similar form) or cash, or (iii) an Event of Default has occurred and is continuing. The Borrower shall promptly notify the Collateral Agent upon the Borrower becoming aware of a downgrade of the issuer of an Acceptable Letter of Credit furnished pursuant to Section 5.10(c), such that it is no longer an Eligible LC Issuer. All funds drawn under such Acceptable Letter of Credit shall be deposited in the Major Maintenance Reserve Account.

(e) The Borrower shall have the right to cause the transfer, pursuant to a Funds Transfer Certificate (substantially in the form attached hereto), of amounts from the Major Maintenance Reserve Account directly to the Port Authority (or as otherwise directed by the Port Authority) to compensate the Port Authority for performing (or causing to be performed) Major Maintenance in compliance with the terms of the Lease Agreement, upon a failure of the Lessee to perform such Major Maintenance subject to the cure rights of the Secured Parties (as Lenders) under the Lease Agreement. The Collateral Agent shall, in accordance with Section 5.10(d), draw on any Acceptable Letter of Credit furnished pursuant to Section 5.10(c) in order to satisfy any such transfer direction.

#### **Section 5.11 Insurance and Condemnation Proceeds Account.**

(a) All Borrower Insurance Proceeds received by the Borrower or to its order (other than in respect of delayed start-up and business interruption proceeds or other anticipated losses of revenue, which are to be deposited directly to Operating Cashflow Sub-Account of the Construction Account before the End of Funding date and thereafter to the Post-Substantial Completion Revenue Account) and all condemnation proceeds (if any) shall be paid directly into the Insurance and Condemnation Proceeds Account.

(b) Except as provided by Section 6.06, amounts on deposit in the Insurance and Condemnation Proceeds Account will be withdrawn and paid to the Borrower to be applied to restoration of the Project, or any portion thereof, in accordance with the requirements of the Lease Agreement. If any funds remain on deposit in the Insurance and Condemnation Proceeds Account following final completion of such restoration in accordance with the requirements of the Lease Agreement, the Borrower shall direct the Collateral Agent to transfer such excess fund to the Operating Cashflow Sub-Account of the Construction Account, if before the Substantial Completion date, or thereafter to the Post-Substantial Completion Revenue Account.

**Section 5.12 Operating Account.** There shall be transferred to the Operating Account amounts from (i) the Working Capital Reserve Account in accordance with Section 5.08(b), (ii) the Pre-Substantial Completion Revenue Account and the Post-Substantial Completion Revenue Account in accordance with Section 5.02(b)(2) and (3) or Section 5.03(b)(2), respectively, and (iii) the Major Maintenance Reserve Account in accordance with Section 5.10(b). Withdrawals from the Operating Account by the Borrower (by means or checks or wire transfers) to pay O&M Expenses or Major Maintenance, as contemplated in the relevant disbursement requisition, will be in accordance with the terms of the Account Control Agreement and will not require compliance with any conditions hereunder other than compliance with the Account Control Agreement.

#### **Section 5.13 Performance Fee Account, Second Additional Rent Account, Distribution Account, and Airline Discount Account.**

(a) *Performance Fee Account.* On each Transfer Date occurring on or prior to the End of Funding Date, the Collateral Agent will cause amounts in the Pre-Substantial Completion Revenue Account, to the extent available, to be deposited in the Performance Fee Account in accordance with Section 5.02(b)(2)(ii).

On each Transfer Date after the End of Funding Date, the Collateral Agent will cause amounts in the Post-Substantial Completion Revenue Account, to the extent available, to be deposited in the Performance Fee Account in accordance with Section 5.03(b)(2)(z).

On or prior to the End of Funding Date, funds on deposit in the Performance Fee Account may be transferred, at the direction of the Borrower, to the Manager on each Transfer Date to pay the Performance Fee, without having to satisfy the Restricted Payment Conditions.

After the End of Funding Date, except for transfers to other Project Accounts in accordance with the terms hereof, funds on deposit in the Performance Fee Account shall be transferred, at the direction of the Borrower, to the Manager (i) only upon satisfaction of the Restricted Payment Conditions on the Transfer Date immediately following the Calculation Date on which such conditions are satisfied and (ii) pursuant to a Restricted Payment Conditions Satisfaction Transfer Certificate from the Borrower, substantially in the form attached hereto,

(b) *Second Additional Rent Account.* On each Transfer Date immediately following a each Calculation Date, the Collateral Agent will cause amounts in the Post-Substantial Completion Revenue Account, to the extent available, to be deposited in the Second Additional Rent Account in accordance with Section 5.03(b)(11)(i).

After the End of Funding Date, except for transfers to other Project Accounts in accordance with the terms hereof, funds on deposit in the Second Additional Rent Account shall be transferred at the direction of the Borrower to the Port Authority (i) only upon satisfaction of the Restricted Payment Conditions on the Transfer Date immediately following the Calculation Date on which such conditions are satisfied and (ii) pursuant to a Restricted Payment Conditions Satisfaction Transfer Certificate from the Borrower, substantially in the form attached hereto.

(c) *Distribution Account.* On each Transfer Date immediately following each Calculation Date, the Collateral Agent will cause amounts in the Post-Substantial Completion Revenue Account, to the extent available, to be deposited in the Distribution Account in accordance with Section 5.03(b)(11)(ii).

After the End of Funding Date, except for transfers to other Project Accounts in accordance with the terms hereof, funds on deposit in the Distribution Account shall be transferred at the direction of the Borrower, to the Borrower or to the Equity Members (i) only upon satisfaction of the Restricted Payment Conditions on the Transfer Date immediately following the Calculation Date on which such conditions are satisfied and (ii) pursuant to a Restricted Payment Conditions Satisfaction Transfer Certificate from the Borrower, substantially in the form attached hereto, provided that, solely with respect to any funds deposited in the Distribution Account as a result of immediately available funds in the Debt Service Reserve Account or Major Maintenance Reserve Account being replaced with an Acceptable Letter of Credit after the End of Funding Date, pursuant to Section 5.05(c) or Section 5.10(c), respectively, (i) the Restricted Payment Conditions shall not apply and (ii) such funds shall be distributed as directed by the Borrower without further restriction.

(d) *Airline Discount Account.* On each Transfer Date immediately following each Calculation Date, the Collateral Agent will cause amounts in the Post-Substantial Completion Revenue Account to be deposited in the Airline Discount Account in accordance with Section 5.03(b)(10).

After the End of Funding Date, except for transfers to other Project Accounts in accordance with the terms hereof, funds on deposit in the Airline Discount Account shall be transferred to the Post-Substantial Completion Revenue Account on each Transfer Date immediately following each Calculation Date.

(e) *Lock-Up Accounts.* All funds held in the Performance Fee Account, the Second Additional Rent Account, and the Distribution Account (collectively, the "Lock-Up Accounts") shall be



subject to the Security Interest created by this Agreement and be available to fund a shortfall in any of the accounts described in clauses *first through ninth* of Section 5.03(b), in the order of priority set forth in Section 5.03(b), after applying amounts available in the Post-Substantial Completion Revenue Account in accordance with such Section 5.03(b).

(f) *Restricted Payment Conditions.* The “Restricted Payment Conditions” are as follow:

(i) the Operating Account, the Bond Payment Accounts, the Debt Service Reserve Accounts, O&M Reserve Account, Major Maintenance Reserve Account, and the Handback Reserve Account shall be fully funded to their respective required levels as of such Calculation Date;

(ii) for the immediately preceding DSCR Calculation Period, the Senior Debt Service Coverage Ratio for such period was not less than 1.20x;

(iii) for the immediately succeeding DSCR Calculation Period, the Senior Debt Service Coverage Ratio projected for such period is to be not less than 1.20x;

(iv) no Event of Default under the Financing Documents has occurred and is continuing or would exist as immediately after giving effect to the requested transfer of funds; and the Port Authority has not exercised its right to terminate the Lease Agreement in respect of an Event of Default under the Lease Agreement; and

(v) Substantial Completion has been achieved.

#### **Section 5.14 [RESERVED].**

#### **Section 5.15 Handback Reserve Account.**

(a) No later than the date that is five (5) calendar years prior to the scheduled Expiry Date (as defined in the Lease Agreement), the Port Authority shall, pursuant to a separate account agreement with the Deposit Account Bank, establish a Handback Reserve Account (the “Handback Reserve Account”) with the Deposit Account Bank, such account to be maintained in the name of and be subject to control of, the Port Authority. The Borrower will confirm such establishment to the Collateral Agent.

(b) The Handback Reserve Account shall not constitute a Project Account and shall not be subject to any Security Interest pursuant to any Security Document and shall not (including any funds on deposit therein) constitute any part of the Collateral, and no Secured Party (including the Collateral Agent) shall have any right thereto, including any right to transfer funds out of such account in the case of any insufficiency of the amounts on deposit in the Post-Substantial Completion Revenue to make any disbursements contemplated by clauses *first through ninth* under Section 5.03(b), inclusive.

(c) Promptly following the date that is five (5) calendar years prior to the scheduled Expiry Date (as defined in the Lease Agreement), the Borrower shall direct that funds then on deposit in the Major Maintenance Reserve Account shall be transferred (to the extent such transfer does not cause the balance remaining in the Major Maintenance Reserve Account immediately following such transfer to be below the then-applicable Major Maintenance Reserve Requirement) to the Handback Reserve Account in an amount equal to the then applicable Handback Amount. If amounts in the Major Maintenance Reserve Account are not sufficient to fund the Handback Reserve Account at the Handback Requirement, the Borrowers shall, in accordance with the terms hereof, direct the funds be transferred from other sources sufficient to fully fund the Handback Requirement. Thereafter the Handback Reserve Account

will be funded in accordance with Section 5.03(b)(2), in the amount equal to the Handback Amount. The Borrower shall promptly inform the Deposit Account Bank of (i) the delivery of any letter of credit pursuant to Section 11.12(d)(ii) of the Lease Agreement and (ii) the date and amount of any draw on such letter of credit. The amount of any such draw shall be deemed credited to the Handback Reserve Account for the purposes of any transfers under Section 5.03(b)(2). The Port Authority shall have the exclusive right to withdraw, direct the transfer of, or otherwise dispose of funds from the Handback Reserve Account in accordance with the terms of the Lease Agreement.

#### **Section 5.16 PAF Account.**

(a) On or prior to the date hereof, the Port Authority has, pursuant to a separate account agreement with the Deposit Account Bank, instructed the Deposit Account Bank, to establish the PAF Account (the “PAF Account”) as of the date hereof, and such account shall be maintained in the name of the Port Authority. The PAF Account shall not constitute a Project Account and shall not be subject to any Security Interest pursuant to any Security Document and shall not (including any funds on deposit therein) constitute any part of the Trust Estate or Collateral, and no Secured Party (including the Collateral Agent) shall have any right thereto, including any right to transfer funds out of such account in the case of any insufficiency of the amounts on deposit in the Post-Substantial Completion Revenue to make any disbursements contemplated by clauses *first* through *ninth* under Section 5.03(b), inclusive. The Borrower will confirm such establishment to the Collateral Agent.

(b) In accordance with the terms of the Lease Agreement and the PFC Funding Plan, from and after the Lease Commencement Date, the Borrower shall, from time to time, deliver to the Deposit Account Bank and the Port Authority a PAF Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached, setting forth the matters contemplated therein, together with a certificate of the Technical Advisor substantially in the form attached hereto, setting forth the matters contemplated therein, which certificates shall request the Port Authority to make deposits into the PAF Account to be used to make payments for PFC Eligible Project Costs (as defined in the Lease Agreement) directly to the D&C Contractor or other specified contractors in accordance with the Lease Agreement. The Deposit Account Bank shall promptly notify the Borrower and the Port Authority in writing if such certificates are not in compliance with this Agreement or the other Financing Documents, and the Borrower shall be entitled to submit revised certificates complying with the terms hereof, and upon the Deposit Account Bank’s receipt and approval of such revised requisition, the Deposit Account Bank shall notify the Borrower and the Port Authority in writing of such receipt and approval.

(c) From time to time, in accordance with the terms of the Lease Agreement, funds will be deposited into the PAF Account. Notwithstanding any other provision hereof to the contrary the Port Authority has instructed the Deposit Account Bank to transfer all amounts deposited into the PAF Account to the account of the D&C Contractor (or other contractors specified in the applicable PAF Account Withdrawal Certificate provided by the Borrower) promptly (and in no event later than one (1) Business Day) after any deposit is made into the PAF Account and (ii) the Deposit Account Bank shall in no event act upon any transfer instruction from any party other than the Port Authority to the contrary (except as set forth in Section 5.16(d) below).

(d) Funds on deposit (including earnings thereon, if any) in the PAF Account shall constitute property of the Port Authority until disbursed to the D&C Contractor or other specified contractors in accordance with the terms hereof, or returned to the Port Authority in accordance with this Section 5.16. In the event that the Lease Agreement is terminated prior to disbursement of funds from the PAF Account, the funds remaining in the PAF Account (if any) shall be paid to the Port Authority by the Deposit Account Bank.

(e) Any interest, gain or other amount of income earned on the deposits in the PAF Account shall become part of, and be held as an additional portion of, the PAF Account, but shall remain the exclusive property of the Port Authority, subject to disbursement to the D&C Contractor or other specified contractors in accordance with the terms hereof. The parties hereto agree that the Port Authority shall be treated as the owner of the PAF Account for all tax purposes, and that all interest on or other taxable income, if any, earned from the investment of deposits in the PAF Account shall be treated for tax purposes as income of the Port Authority.

#### **Section 5.17 New Improvement and Central Hall Funding Account.**

(a) The Borrower hereby instructs the Deposit Account Bank, to establish a New Improvement and Central Hall Funding Account (the “New Improvement and Central Hall Funding Account”) as of the date hereof, and such account shall be maintained in the name of the Borrower. The New Improvement and Central Hall Funding Account shall not constitute a Project Account and shall not be subject to any Security Interest pursuant to any Security Document and shall not (including any funds on deposit therein) constitute any part of the Collateral, and no Secured Party (including the Collateral Agent) shall have any right thereto (other than to direct application by the Deposit Account Bank of such funds to the completion of the New Improvements and the Central Hall in accordance with the Lease Agreement and in the exercise of remedies under the Indenture and the Security Documents), including any right to transfer funds out of such account in the case of any insufficiency of the amounts on deposit in the Post-Substantial Completion Revenue to make any disbursements contemplated by clauses *first* through *ninth* under Section 5.03(b), inclusive.

(b) From and after the Lease Commencement Date, the Borrower shall, from time to time, deliver to the Deposit Account Bank and the Port Authority a New Improvement and Central Hall Funding Account Withdrawal Certificate, signed by a Responsible Officer of the Borrower, substantially in the form attached, setting forth the matters contemplated therein, together with a certificate of the Technical Advisor substantially in the form attached hereto, setting forth the matters contemplated therein, which certificates shall request the Port Authority to make deposits into the New Improvement and Central Hall Funding Account to be used by the Borrower to make payments to the D&C Contractor or other specified contractors in accordance with the Lease Agreement with respect to amounts owed in connection with work related to the New Improvements or the Central Hall. The Deposit Account Bank shall promptly notify the Borrower and the Port Authority in writing if such form of the certificates are not in compliance with this Agreement or the other Financing Documents, and the Borrower shall be entitled to submit revised certificates complying with the terms hereof, and upon the Deposit Account Bank’s receipt and approval of such revised requisition, the Deposit Account Bank shall notify the Borrower and the Port Authority in writing of such receipt and approval. Following the Port Authority’s receipt of the certificates described in this clause (b), and in accordance with the terms of the Lease Agreement, the Port Authority shall deposit funds into the New Improvement and Central Hall Funding Account.

(c) The Borrower hereby irrevocably instructs the Deposit Account Bank to transfer all amounts in the New Improvement and Central Hall Funding Account to the account of the D&C Contractor (or other contractors specified in the applicable New Improvement and Central Hall Funding Account Withdrawal Certificate provided by the Borrower) promptly (and in no event later than one (1) Business Day) after any deposit is made in the New Improvement and Central Hall Funding Account.

#### **Section 5.18 Central Hall Receipts Account.**

(a) On or prior to the date hereof, the Port Authority has, pursuant to a separate account agreement with the Deposit Account Bank, instructed the Deposit Account Bank, to establish the Central

Hall Receipts Account (the “Central Hall Receipts Account”) as of the date hereof, and such account shall be maintained in the name of and be subject to control of, the Port Authority. Amounts deposited in the Central Hall Receipts Account are funds that have been received by the Borrower as agent of the Port Authority, and consequently funds in the Central Hall Receipts Account are funds of the Port Authority and not the Borrower. The Borrower will confirm such establishment to the Collateral Agent.

(b) The Central Hall Receipts Account shall not constitute a Project Account and shall not be subject to any Security Interest pursuant to any Security Document and shall not (including any funds on deposit therein) constitute any part of the Collateral, and no Secured Party (including the Collateral Agent) shall have any right thereto, including any right to transfer funds out of such account in the case of any insufficiency of the amounts on deposit in the Post-Substantial Completion Revenue to make any disbursements contemplated by clauses *first* through *ninth* under Section 5.03(b), inclusive.

(c) The Borrower shall, from time to time, deposit in the Central Hall Receipts Account all Gross CH Revenues received from its operation of the Central Hall, in accordance with the terms of the Lease Agreement. Transfers from the Central Hall Receipts Account shall be made, from time to time, by the Deposit Account Bank in accordance with the written instructions of the Port Authority and will not require compliance with any conditions hereunder.

(d) Any interest, gain or other amount of income earned on the deposits in the Central Hall Receipts Account (in the event that any investment of such deposits is directed by the Port Authority) shall become part of, and be held as an additional portion of, the Central Hall Receipts Account, but shall remain the exclusive property of the Port Authority. The parties hereto agree that the Port Authority shall be treated as the owner of the Central Hall Receipts Account for all tax purposes, and that all interest on or other taxable income, if any, earned from the investment of deposits in the Central Hall Receipts Account shall be treated for tax purposes as income of the Port Authority.

#### **Section 5.19 Bond Payment Accounts.**

(a) The Collateral Agent shall deposit in the Interest Payment Sub-Accounts of the Senior Bond Payment Account and the Subordinate Bond Payment Account:

(i) on each Transfer Date, the amount required to be transferred from the Pre-Substantial Completion Revenue Account or the Post-Substantial Completion Revenue Account, as applicable, to the Senior Bond Payment Account or Subordinate Bond Payment Account pursuant to Section 5.02(b)(4) or (6), respectively, or 5.03(b)(3) or (9), respectively (such amounts to be deposited in the various Interest Payment Sub-Accounts as set forth in Sections 5.02(b)(4) or (6) or 5.03(b)(3) or (9), as applicable), provided that the determination of such amounts shall be based on the interest payment information provided by the Trustee;

(ii) on any Redemption Date, the interest portion of the Bonds to be redeemed (if redemption is other than through a mandatory sinking fund redemption, in which case clause (i) above applies), which interest shall be deposited in the Interest Payment Sub-Account with respect to the Bonds being redeemed, which amount shall be determined by the Trustee and the source of which shall be directed by the Borrower;

(iii) on each Interest Payment Date prior to the End of Funding Date, such amounts to be transferred from the Capitalized Interest Account or any sub-account of the Construction Account, as directed by the Borrower, which shall be deposited in the amounts, and in the Interest Payment Sub-Accounts, as directed by the Borrower; and

(iv) on any excess proceeds redemption, from the applicable subaccount in the Construction Account, as directed by the Borrower.

(b) The Collateral Agent shall deposit in the Principal Payment Sub-Accounts of the Senior Bond Payment Account and the Subordinate Bond Payment Account:

(i) on each Transfer Date, the amount required to be transferred from the Post-Substantial Completion Revenue Account to the Senior Bond Payment Account or Subordinate Bond Payment Account pursuant to Section 5.03(b)(4) or (9) (such amounts to be deposited in the various Principal Payment Sub-Accounts as set forth in Sections 5.03(b)(4) or (9), as applicable), provided that the determination of such amounts shall be based on the principal payment information provided by the Trustee;

(ii) on any mandatory sinking fund Redemption Date, the principal portion of the Bonds to be redeemed, which principal shall be deposited in the Bond Payment Principal Subaccount with respect to the Bonds being redeemed, which amount shall be determined using the principal payment information provided by the Trustee;

(iii) on any excess proceeds redemption, from the applicable subaccount in the Construction Account as directed by the Borrower; and

(iv) on any excess insurance or condemnation proceeds redemption, such amounts as are available in the Insurance and Condemnation Proceeds Account for the prepayment of principal on Bonds.

(c) On or prior to each Interest Payment Date on any Bonds, the Collateral Agent shall transfer from the various Interest Payment Sub-Accounts of the Senior Bond Payment Account and the Subordinated Bond Payment Account to the corresponding interest subaccounts in the Bond payment account created pursuant to the Indenture, the interest becoming due on such Interest Payment Date.

(d) On or prior to each Principal Payment Date on any Bonds, the Collateral Agent shall transfer from the various Bond Payment Principal Subaccounts of the Senior Bond Payment Account and the Subordinated Bond Payment Account to the corresponding principal subaccounts in the Bond payment account created pursuant to the Indenture, the principal becoming due on such Principal Payment Date.

**Section 5.20 Funds as Collateral.** Any deposit made into the Project Accounts hereunder (except through clerical or other manifest error or in a manner that is otherwise inconsistent with this Agreement) shall be irrevocable and all cash, cash equivalents, instruments, investments and other securities on deposit in the Project Accounts shall be subject to the Security Interest of the Security Documents and shall be held by the Collateral Agent as collateral for the benefit of the Secured Parties as provided herein.

**Section 5.21 Investment.**

(a) Funds in the Project Accounts may be invested and reinvested only in Eligible Investments (at the risk and expense of the Borrower) in accordance with written instructions given to the Collateral Agent by the Borrower (prior to the occurrence of an Event of Default and, thereafter so long as such Event of Default shall be continuing, as directed by the Trustee), and, unless an Event of Default has occurred and is continuing, the Borrower is entitled to instruct the Collateral Agent to liquidate

Eligible Investments in the Project Accounts for purposes of effecting any such investment or reinvestment or for any other purpose permitted hereunder.

(b) The Collateral Agent shall not be required to take any action with respect to investing the funds in any Project Account in the absence of written instructions by the Borrower (to the extent provided in accordance with the terms hereof). The Collateral Agent shall not be liable for any loss resulting from any Eligible Investment or the sale or redemption thereof made in accordance with the terms hereof.

(c) Any such investments shall mature not later than the respective dates when the funds held for the credit of the particular Project Account will be required for the purposes intended for such Account, and no Eligible Investments may mature beyond the latest maturity date of any Bonds Outstanding at the time such Eligible Investments are deposited.

(d) If and when cash is required for disbursement in accordance with this Article or Section 6.06 hereof, the Collateral Agent is authorized, without instructions from the Borrower, to the extent necessary to make payments or transfers required pursuant to this Article or Section 6.06 hereof, in the event the Borrower fails to direct the Collateral Agent to do so in a timely manner, to cause Eligible Investments to be sold or otherwise liquidated into cash (without regard to maturity) in such manner as the Collateral Agent shall deem reasonable under the circumstances.

(e) All funds in the Project Accounts (other than the Operating Account) and all Eligible Investments made in respect thereof shall be held by the Collateral Agent. The interests of the Borrower in the Project Accounts (including the Operating Account) and all Eligible Investments made in respect thereof shall constitute part of the Collateral subject to the pledge and security interest created by the Security Documents.

(f) Eligible Investments credited to any Project Account or sub-account thereof shall be deemed at all times to be part of such Account or sub-account in which such money was originally held. Net income or gain received and collected from such investments shall be credited and losses charged to the Project Account or sub-account thereof from which such investment shall have been made. The Collateral Agent shall sell or present for redemption any obligations so purchased whenever directed in writing by the Borrower in order to provide money to make any payment or transfer of money from any such Project Account or sub-account thereof.

(g) The Collateral Agent shall have no obligation to invest or reinvest the funds if all or a portion of the funds is deposited with (or instructions with respect to the same are given to) the Collateral Agent after 11 a.m. (E.S.T. or E.D.T., as applicable) on the day of deposit. Instructions to invest or reinvest that are received after 11 a.m. (E.S.T. or E.D.T., as applicable) will be treated as if received on the following Business Day.

(h) In the event the Collateral Agent does not receive investment instructions, the amounts held by the Collateral Agent pursuant to the provisions of this Agreement shall not be invested and the Collateral Agent shall not incur any liability for interest or income thereon.

(i) The parties hereto each acknowledge that non-deposit investment products are not obligations of, or guaranteed, by The Bank of New York Mellon nor any of its Affiliates; are not FDIC insured; and are subject to investment risks, including the possible loss of principal amount invested in one of the money market funds made available by the Collateral Agent and initially selected by the Borrower.

(j) Any investment direction contained herein may be executed through an affiliated broker or dealer of the Collateral Agent and any such affiliated broker or dealer shall be entitled to such broker's or dealer's usual and customary fees for such execution as agreed to by the Borrower. It is agreed and understood that the Collateral Agent may earn fees associated with the investments outlined above to the extent previously agreed with the Borrower. Neither the Collateral Agent nor its Affiliates shall have a duty to monitor the investment ratings of any Eligible Investments.

(k) Investments may be held by the Collateral Agent directly or through any clearing agency or depository (collectively, the "Clearing Agency") including, without limitation, the federal reserve/treasury book-entry system for United States and federal agency securities, and DTC. The Collateral Agent shall not have any responsibility or liability for the actions or omissions to act on the part of any Clearing Agency.

(l) In all cases, all investments and reinvestments of funds in the Project Accounts shall be in compliance with the Code and the Tax Certificate.

**Section 5.22 Withdrawal and Application of Funds; Priority of Transfers from Project Accounts; Event of Default.**

(a) Except as provided in Sections 5.03, 5.04, 5.05 and 5.07 of this Agreement and sub-section (d) below, each withdrawal or transfer of funds from the Project Accounts (other than from the Operating Account and the Construction Account and its sub-accounts) by the Collateral Agent on behalf of the Borrower will be made pursuant to an executed Funds Transfer Certificate, substantially in the form attached hereto, which certificate will be provided and prepared by the Borrower, as applicable and will contain a certification by the Borrower, as applicable, that such withdrawal or transfer complies with the requirements of this Agreement.

(b) Unless a shorter period is acceptable to the Collateral Agent, such Funds Transfer Certificate relating to each applicable Project Account (other than the Operating Account) will be delivered to the Collateral Agent no later than three (3) Business Days prior to each date on which funds are proposed to be withdrawn or transferred. In the event that a certificate does not comply with the requirements of this Agreement and the other Financing Documents, the Collateral Agent has the right to reject such certificate and the Borrower will not be entitled to cause the proposed withdrawal or transfer until it has submitted a revised and compliant certificate.

(c) For the avoidance of doubt, subject to the following sub-section, the Borrower will have the right to withdraw or cause to be transferred funds from the Operating Account, solely for the purposes set forth in Section 5.02(b)(2) or (3) or Section 5.03(b)(2), as applicable, at any time without approval or consent of the Trustee, the Collateral Agent, or any other Person, so long as such withdrawal is effected in accordance with the terms of this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement, upon receipt of a notice of an Event of Default and during the continuance of such Event of Default, the Trustee, following the taking of an Enforcement Action, without consent of the Borrower, may instruct the Collateral Agent in writing to apply proceeds of the Project Accounts to the payment of Secured Obligations, in accordance with the terms of this Agreement and the Loan Agreements and in the order set forth in Section 6.06, so long as such payments are on account of amounts due under the Financing Documents in respect of such Secured Obligations, provided that at any time prior to the taking of an Enforcement Action, proceeds of the Project Accounts will be applied in the order set forth in Sections 5.02 and 5.03, as applicable.

(e) Notwithstanding any other provision of this Agreement to the contrary, the Collateral Agent will not be obligated to monitor or verify (i) the accuracy of any Funds Transfer Certificate, Construction Account Withdrawal Certificate, PAF Account Transfer Certificate, or New Improvement and Central Hall Funding Account Transfer Certificate or other written instructions provided to the Collateral Agent for the transfer or deposit of funds with respect to any Project Account or any other account described herein, or (ii) the use of amounts withdrawn from any Project Accounts or any other account described herein; and shall be entitled to rely on requisitions or instructions provided hereunder.

**Section 5.23 Termination of Project Accounts.** Upon the satisfaction in full of the Secured Obligations (other than contingent indemnification obligations or expense reimbursement obligations, to the extent no claim giving rise thereto has been threatened or asserted), this Agreement will terminate, and the Collateral Agent will (except as may otherwise be requested by the Borrower) promptly at the expense of the Borrower, close the Project Accounts (other than the Operating Account which will remain at the full discretion of the Borrower) and/or liquidate any investments credited thereto and/or transfer the funds deposited therein or credited thereto, as directed by the Borrower. Thereafter, the Collateral Agent will be released from any further obligation to comply with any obligation under any Financing Document except as specifically provided therein, in each case as contemplated therein. Nothing contained in this Section will be construed to modify or otherwise affect the Collateral Agent's Security Interest in the Project Accounts and the funds therein, prior to such transfer in accordance with the terms hereof.

\* \* \*

**Section 5.28 Termination Proceeds and Redemption of the Bonds.** The Borrower agrees to promptly deposit into the Senior Bond Redemption Sub-Account the Port Authority Termination Sum, the Unamortized Costs Termination Sum or any other payment or proceeds received by the Borrower from the Port Authority in respect of a termination of the Lease Agreement. The Borrower hereby irrevocably directs the (a) Collateral Agent, promptly following its receipt of any such Port Authority payment, to (i) draw on any letter of credit credited to the Debt Service Reserve Account (or any sub-account thereof) and any letter of credit credited to the Major Maintenance Reserve Account, in each case for the full amount thereof, and (ii) promptly transfer such Port Authority payment and the proceeds from each such letter of credit draw to the Trustee, and (b) Trustee to apply such amounts to redeem the Bonds in accordance with Section 3.03 of the Indenture.

\* \* \*

**Section 5.30 Escrow of Disputed Amounts.** If directed by the Borrower, payments or other receipts received by the Borrower (including, without limitation, from any airline) that are subject to a dispute (the "Disputed Payment Amounts") will be deposited into an escrow account established for such purpose with The Bank of New York Mellon. Upon resolution of such dispute, amounts due to the Borrower from such escrow account shall be deposited directly to Operating Cashflow Sub-Account of the Construction Account, before the Substantial Completion Date, and thereafter to the Post-Substantial Completion Revenue Account.

**Section 5.31 Senior Bond Payment Shortfall Notice.** Following receipt of a Funds Transfer Certificate immediately before an Interest Payment Date or a Principal Payment Date, the Collateral Agent, shall, after giving effect to the withdrawals, transfers and disbursements requested in such Funds Transfer Certificate (and in any Construction Account Withdrawal Certificate delivered at or around the date of such Funds Transfer Certificate), calculate whether or not there is a shortfall in any Senior Bond Payment Account with regards to the Interest Payment or Principal Payment due on such Interest Payment Date or Principal Payment Date, as applicable. If there is such a shortfall, and the End of Funding Date has occurred, the Collateral Agent shall promptly give effect to the transfers contemplated in Section 5.03(d) hereof, and calculate whether any such shortfall remains after such transfers. If, after



giving effect to all of the transfers described above there remains a shortfall in any Senior Bond Payment Account with regards to the Interest Payment or Principal Payment due on such Interest Payment Date or Principal Payment Date, as applicable, the Collateral Agent shall give notice of the same to the Trustee, specifying each Senior Bond Payment Account with such shortfall and the amount of each such shortfall (such notice to be given no later than 10.30 a.m. (E.S.T. or E.D.T., as applicable) on the Business Day following the date on which the Collateral Agent receives such Funds Transfer Certificate).

## **ARTICLE VI COLLATERAL AND REMEDIES**

**Section 6.01 Administration of Collateral.** The Account Collateral shall be held by the Collateral Agent for the benefit of the Secured Parties pursuant to the terms hereof and shall be administered by the Collateral Agent in the manner contemplated hereby and by the other Security Documents.

**Section 6.02 Notice of Event of Default.** Notwithstanding anything to the contrary contained in this Agreement or any document executed in connection with any of the Secured Obligations, the Collateral Agent, unless a Responsible Officer of the Collateral Agent shall have actual knowledge thereof, shall not be deemed to have any knowledge of any Event of Default unless and until it shall have received written notice from the Borrower, the Trustee, another Secured Party or the Port Authority describing such Event of Default in reasonable detail. If the Collateral Agent receives any such notice from the Borrower, the Collateral Agent shall deliver a copy thereof to the Trustee and each another Secured Party, and if the Collateral Agent receives any such notice from a Person other than the Borrower, the Collateral Agent also shall deliver a copy thereof to the Borrower. Further, the Collateral Agent shall deliver a copy of any such notice it receives to the Port Authority, at the address set forth in Section 35.12 of the Lease Agreement. In addition, if, (i) the Collateral Agent becomes aware (in accordance with the terms of the Financing Documents) of the occurrence of an Event of Default, it shall promptly give notice thereof to the Trustee and (ii) the Trustee becomes aware (in accordance with the terms of the Financing Documents) of the occurrence of an Event of Default, it shall promptly give notice thereof to the Collateral Agent.

**Section 6.03 Enforcement of Remedies.** Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent shall, subject to the other provisions of this Agreement, take such Enforcement Action with respect to such Event of Default as shall be directed by the Trustee, acting in accordance with the terms of the Indenture and the Security Documents (such direction, a “Direction Notice”); provided that, in the absence of a Direction Notice, the Collateral Agent may (but shall not be obligated to) take such action (with notice thereof to the Port Authority, the Issuer and the Borrower), or refrain from taking such action, with respect to such Event of Default as it shall deem advisable in the best interests of the holders of the Outstanding Bonds and solely to the extent permitted hereunder or pursuant to the other Security Documents. Upon receipt by the Collateral Agent of a Direction Notice, the Collateral Agent shall seek to enforce the Security Documents (with notice thereof to the Port Authority, the Issuer and the Borrower) and to realize upon the Collateral in accordance with such Direction Notice and otherwise in accordance with the terms hereof and of the Security Documents; provided, however, that the Collateral Agent shall not be obligated to follow any Direction Notice if the Collateral Agent reasonably determines that such Direction Notice is in conflict with any provisions of any applicable Law or any Security Document, and the Collateral Agent shall not, under any circumstances, except in the event of gross negligence or willful misconduct, be liable to any Secured Party, the Borrower, or any other Person for following a Direction Notice. No Secured Party other than the Trustee shall have any authority or power, express or implied, to direct the Collateral Agent as to the exercise of rights and remedies, implementation of Enforcement Actions or any other action with respect to the Collateral so long as any Bond is Outstanding; provided that nothing in this Section 6.03 shall

preclude the Collateral Agent from following the directions of the Borrower (other than following the occurrence and during the continuance of any Event of Default) or the Port Authority to the extent such instructions are expressly authorized under this Agreement. The Trustee shall exercise its powers under this Section 6.03 in accordance with the provisions of the Indenture, including but not limited to rights of holders of Bonds to direct the Trustee.

**Section 6.04 Remedies of the Secured Parties.** No Secured Party, individually or together with any other Secured Parties, shall have the right, nor shall it, exercise or enforce any of the rights, powers or remedies which the Collateral Agent is authorized to exercise or enforce under this Agreement or any of the other Security Documents.

**Section 6.05 Secured Party Information.** In the event that the Collateral Agent proceeds to foreclose upon, collect, sell or otherwise dispose of or take any other action with respect to any or all of the Collateral or to enforce any provisions of the Security Documents or takes any other action pursuant to this Agreement or any provision of the Security Documents or requests directions from the Trustee as provided herein, in each case in accordance with the terms of the Financing Documents, upon the request of the Collateral Agent, the Trustee shall promptly deliver a written notice to the Collateral Agent setting forth (a) the aggregate amount of Secured Obligations owing to such Secured Party as of the date specified by the Collateral Agent in such request and (b) such other information as the Collateral Agent may reasonably request.

**Section 6.06 Application of Proceeds.**

(a) From and after the taking of an Enforcement Action or the occurrence of a Bankruptcy Related Event, the Collateral Agent, as directed by the Trustee, will have the right to direct the application of all amounts on deposit in or credited to the Project Accounts, and to otherwise deal with the Collateral without the need for consent of, or any other action by, the Borrower. Following the taking of an Enforcement Action, or the occurrence of a Bankruptcy Related Event, all proceeds received by the Collateral Agent pursuant to the exercise of any rights or remedies accorded to the Collateral Agent, including proceeds from the sale or disposition of Collateral or other Enforcement Action, will be first applied by the Collateral Agent to reimburse the Collateral Agent for the payment of the reasonable costs and necessary expenses of the Enforcement Action and thereafter, the remaining proceeds will be applied promptly by the Collateral Agent as directed by the Trustee.

(b) If at any time any Secured Party will for any reason obtain any payment or distribution upon or with respect to the Secured Obligations contrary to the terms of the Collateral Agency Agreement, whether as a result of the Collateral Agent's exercise of any Enforcement Action in respect of the Collateral or otherwise, such Secured Party agrees that it will have received such amounts in trust, and will promptly remit such amount so received in error to the Collateral Agent to be applied in accordance with the terms of this Agreement.

**Section 6.07 Reliance on Information.** For purposes of applying payments received in accordance with this Article, the Collateral Agent shall be entitled to rely upon the information received by, and upon the request of, the Collateral Agent for such purpose, pursuant to Sections 2.05 and 6.05 of this Agreement, with respect to the amounts of the outstanding Secured Obligations owed to the Secured Parties and the amount of any proceeds distributed from the Project Accounts. In the event that the Collateral Agent, in its reasonable discretion, determines that it is unable to determine the amount or order of payments that should be made hereunder, the parties hereto agree that the Collateral Agent shall have the right, at its option, to deposit with, or commence an interpleader proceeding in respect of, such funds in a court of competent jurisdiction for a determination by such court as to the correct application of such funds hereunder.

\* \* \*

**ARTICLE VIII  
TERMINATION**

Upon termination of this Agreement pursuant to Section 5.23, all rights to the Collateral as shall not have been sold or otherwise applied, in each case, pursuant to the terms hereof shall revert to the Borrower, its successors or assigns. Upon any such termination, the Collateral Agent will, at the Borrower's direction and expense, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

**ARTICLE IX  
MISCELLANEOUS PROVISIONS**

\* \* \*

**Section 9.02 Amendments; Waivers.**

(a) Any term, covenant, agreement or condition of this Agreement or any of the other Security Documents may be amended or waived only by an instrument in writing signed by each of the Collateral Agent (acting upon the instruction of the Trustee), the Trustee and the Borrower; provided, that (i) no such amendment or waiver shall violate any restriction or other provision of the Indenture and (ii) the consent of the Securities Intermediary shall be required for any amendment that would modify the rights or obligations of the Securities Intermediary. Further, the Port Authority shall be a third party beneficiary of the following provisions hereof (and related defined terms), which shall not be amended or modified without the prior written consent of the Port Authority: (i) Sections 5.02(c), 5.03(a), 5.04(j) and (k), 5.08(d), 5.10(e), 5.13(b), (c) and (d), 5.15, 5.16 or 5.17, or (ii) any other amendment or other modification of this Agreement which would or could reasonably be expected to cause the amount of the Second Additional Rent payable hereunder to be different than the amount of the Second Additional Rent which would be payable in the absence of such amendment or such other modification.

\* \* \*

**Section 9.06 Governing Law; Consent to Jurisdiction; WAIVER OF JURY TRIAL.** This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York. Each of the parties hereto hereby irrevocably (a) consents and submits to the non-exclusive jurisdiction of any New York state court sitting in New York County, New York or any federal court of the United States sitting in the Southern District of New York, as any party may elect, in any suit, action or proceeding arising out of or relating to this Agreement and (b) WAIVES THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION IN WHICH ANY OF THE PARTIES HERETO ARE PARTIES RELATING TO OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT. For the avoidance of all doubt, nothing herein shall be construed as requiring any obligations, rights and duties of the Issuer to be subject to the laws of any jurisdiction other than the State of New York or as requiring the Issuer to submit to jurisdiction in any state or federal court not located within the State of New York.

\* \* \*

**Section 9.09 Collateral Agent's Rights.**

(a) If at any time the Collateral Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects the Collateral (including but not limited to orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of such property), the Collateral Agent is authorized to comply therewith in any manner it or legal counsel of its own choosing (at the sole cost and expense of the Borrower) reasonably deems appropriate; and if the Collateral Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, the Collateral Agent shall not be liable to any of the parties hereto or to any other Person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

(b) In the event of any dispute between or conflicting claims by or among the Borrower, the Secured Parties and/or any other Person or entity with respect to any property being held by the Collateral Agent in connection with this Agreement or the other Security Documents, the Collateral Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions with respect to such property so long as such dispute or conflict shall continue, and the Collateral Agent shall not be or become liable in any way to the Borrower, the Secured Parties or any other party for failure or refusal to comply with such conflicting claims, demands or instructions. The Collateral Agent shall be entitled to refuse to act until, in its sole discretion, either (i) such conflicting or adverse claims or demands shall have been determined by a final order, judgment or decree of a court of competent jurisdiction (at the sole cost and expense of the Borrower), which order, judgment or decree is not subject to appeal, or settled by agreement between the conflicting parties as evidenced in a writing reasonably satisfactory to the Collateral Agent or (ii) the Collateral Agent shall have received security or an indemnity reasonably satisfactory to it sufficient to hold it harmless from and against any and all losses which it may incur by reason of so acting. Any court order, judgment or decree shall be accompanied by a legal opinion by counsel for the presenting party, reasonably satisfactory to the Collateral Agent, to the effect that said order, judgment or decree represents a final adjudication of the rights of the parties by a court of competent jurisdiction, and that the time for appeal from such order, judgment or decree has expired without an appeal having been perfected. The Collateral Agent shall act on such court order and legal opinions without further question.

(c) To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each Person who opens an account. When any account or sub-account is opened, the Collateral Agent shall be entitled to such information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

\* \* \*

**Appendix D-3**

**CERTAIN PROVISIONS  
OF THE LEASEHOLD MORTGAGES**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## CERTAIN PROVISIONS OF THE LEASEHOLD MORTGAGES

*The following includes certain provisions of the Building Loan Leasehold Mortgage and is not a full statement of the terms of the Building Leasehold Mortgage. The Project Loan Leasehold Mortgage is substantially identical in all material respects. Accordingly, the following is qualified in its entirety by reference to such leasehold mortgages and is subject to the full text of such leasehold mortgages. A copy of such leasehold mortgages is available, free of charge, upon request from the Borrower or the Trustee. Unless otherwise stated, any reference in this Official Statement to any leasehold mortgage means such leasehold mortgage and all schedules, exhibits and attachments thereto, as amended, supplemented or otherwise modified and in effect as of the date hereof. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.*

\* \* \*

### Section 2. Grant of Building Loan Leasehold Mortgage.

To secure (i) the payment when due of the total aggregate principal amount of the Building Loan Note, together with all of the interest payable on the Building Loan Note, with the maximum amount of principal equal to \$\_\_\_\_\_ (or such lesser amount as may be outstanding from time to time), and (ii) the payment or performance of all other indebtedness, liabilities, obligations, covenants, and sums due by the Mortgagor to the Collateral Agent, the Issuer and the Bondholders whether for principal, interest, fees or otherwise, arising out of or related to or in connection with the Building Loan Agreement (collectively, the “Obligations”), the Mortgagor hereby grants, mortgages, pledges, assigns, transfers and sets over to the Mortgagee for the benefit of the Bondholders, equally and ratably, subject to and upon the terms and conditions of this Leasehold Mortgage, all of its right, title and interest in, to and under the following, in each case to the extent permissible under the Lease Agreement (collectively, the “Mortgaged Property”):

The Lease Agreement and the leasehold estate created pursuant to the Lease Agreement with respect to the real property described on Exhibit A attached hereto and made a part hereof, together with any improvements thereon and any and all other, further or additional estates, rights, titles, interests, benefits and other claims, both at law and in equity, which the Mortgagor now has or may in the future have or acquire under or by the terms of the Lease Agreement, whether by reason of the exercise of options thereunder or by reason of amendments, modifications, supplements, extensions and renewals of the Lease Agreement, of whatsoever nature derived or to be derived by the Mortgagor by virtue of the Lease Agreement, including, without limitation, any and all estate, right, title and interest of the Mortgagor in and to any and all buildings and other improvements now or hereafter located on the Premises and all building materials, building equipment and fixtures of every kind and nature located on the Premises or attached to, contained in or used in any such buildings and other improvements, and all appurtenances and additions thereto and betterments, substitutions and replacements thereof acquired by the Mortgagor under the Lease Agreement, and the right to exercise all rights of the Mortgagor under the Lease Agreement (including any right or power to voluntarily surrender or terminate the Lease Agreement, except as expressly provided in the applicable section of the Lease Agreement), except as otherwise provided therein. To the fullest extent possible, the Mortgagor hereby unconditionally delegates to the Mortgagee the right to exercise any and all of the Mortgagor’s rights under the Lease Agreement, delegated to the Mortgagor under the Lease Agreement except as otherwise provided therein, subject to all of the same terms, covenants, conditions, limitations, reservations and defenses as would be applicable under the Lease Agreement, as the case may be, had this delegation not occurred;

Any easements, rights of way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Premises, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated, and the reversions and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Premises, with the appurtenances thereto;

All machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), furniture, software used in or to operate any of the foregoing, and other property of every kind and nature whatsoever owned by the Mortgagor or in which the Mortgagor has or shall have an interest, now or hereafter located upon the Premises, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Premises and all building equipment, materials and supplies of any nature whatsoever owned by the Mortgagor, or in which the Mortgagor has or shall have an interest, now or hereafter located upon the Premises, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Premises and all of the Mortgagor's right, title and interest in personal property, including, in any event, all of the Mortgagor's right, title and interest in and to, whether now owned or hereafter acquired, all equipment, fixtures, general intangibles and inventory and all proceeds of any and/or all of the foregoing (each of the foregoing terms, as defined in the UCC, the "UCC Collateral") (collectively, the "Personal Property"), and the right, title and interest of the Mortgagor in and to any of the Personal Property which may be subject to any security interests, as defined in the UCC, as adopted and enacted by the state or states where any of the Mortgaged Property is located, and all proceeds and products of the above;

All present and future leases, subleases, sub-subleases, lettings, licenses, concessions or other agreements for the use of space in the Premises (other than the Central Hall, as defined in the Lease Agreement) and every modification, amendment or other agreement relating to such leases, subleases, sub subleases, or other agreements entered into in connection with such leases, subleases, sub subleases, or other agreements, including any guarantee, whether before or after the filing by or against the Mortgagor of any petition for relief under any creditors rights laws (collectively, the "Leases") and all right, title and interest of the Mortgagor, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder, including tenant letters of credit and security deposits, and all rents, additional rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, earnings, royalties, income, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of the Mortgagor or its agents or employees from any and all sources arising from or attributable to the Mortgaged Property, including, all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and occupancy of property or rendering of services by the Mortgagor (but in all cases excluding all Non-Pledged Receipts (as defined in the Collateral Agency Agreement)) and proceeds, if any, from business interruption or other loss of income insurance paid to the Mortgagor whether paid or accruing before or after the filing by or against the Mortgagor of any petition for relief under any creditors rights laws including any such amounts deposited or held as security for the Obligations under the Collateral Agency Agreement (collectively, the "Mortgaged Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Mortgaged Rents to the payment of the Obligations;



All condemnation proceeds, including interest thereon, which may heretofore and hereafter be received by the Mortgagor pursuant to the Lease Agreement;

Any Port Authority Termination Sum, Unamortized Costs Termination Sum or any other amounts payable by the Port Authority in connection with any termination of the Lease Agreement;

Any replacement or reinstatement of the Lease Agreement or other right of continued occupancy of the premises demised under the Lease Agreement arising in connection with a termination of the Basic Lease prior to its stated expiration date as provided for in the applicable section of the Lease Agreement;

Any agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, as each of the same may have been and may be further amended, modified or supplemented from time to time, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Premises and any part thereof or any business or activity conducted on the Premises and any part thereof and all right, title and interest of the Mortgagor therein and thereunder (provided that, to the extent any third-party consent may be required in connection with the mortgaging of such document, no such document shall be deemed mortgaged until the required consent is obtained);

All of the Mortgagor's right, title and interest in, to and under all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Mortgaged Property (provided that, to the extent any third-party consent may be required in connection with the mortgaging of such document, no such document shall be deemed mortgaged until the required consent is obtained); and

TOGETHER WITH the any rights granted to the Mortgagor under the Lease Agreement of ingress and egress to, on and over other portions of the Premises, between the Premises and city streets or public ways outside the Premises by means of existing roadways at the Premises to be used in common with others having rights of passage within the Premises, and any substitute means of ingress and egress provided to the Mortgagor under the Lease;

TOGETHER WITH all of the Mortgagor's right, title and interest to all proceeds of any sale, transfer, financing, refinancing, or conversion into cash or liquidated claims, whether voluntary or involuntary of any of the Mortgaged Property, including, subject to the terms of the Lease Agreement, all insurance proceeds resulting from damage to or destruction of the Premises and all awards resulting from any taking with respect to the Premises; and

TOGETHER WITH all additional estates, right, title and interest of the Mortgagor in and to the Premises, any and all buildings, improvements and fixtures now or hereafter situated thereon and the Mortgaged Property or any part thereof which may from time to time be acquired by the Mortgagor; and all right, title and interest of the Mortgagor in and to any additional property and rights that may from time to time hereafter by installation in the Premises, or by writing of any kind, be subjected to the lien hereof by the Mortgagor or by anyone on their behalf.

Each of the rights granted in this Leasehold Mortgage is and shall be (a) appurtenant to the leasehold estate in the Premises created by the Lease Agreement, (b) automatically transferred with any permitted assignment or other transfer of the Lease Agreement and the leasehold estate created thereby and (c) coupled with an interest and irrevocable during the term of the Lease Agreement.

Except to the extent required for the performance of any of the obligations of the Mortgagor under the Lease Agreement, nothing contained in this Leasehold Mortgage shall grant to the Mortgagee any rights whatsoever in the air space above the Premises in excess of the heights of the structures thereon as set forth in the Final Design Documents (as defined in the Lease Agreement).

TO HAVE AND TO HOLD the Mortgaged Property, together with all rights and claims of the Mortgagor therein, to the Mortgagee, its successors and assigns forever, upon the terms and conditions and for the uses hereinafter set forth.

PROVIDED, HOWEVER, these presents are upon the express condition that, if the Mortgagor shall pay to the owners of the Obligations at the time and in the manner provided in each evidence of the Obligations, this Leasehold Mortgage and the other Financing Documents, and shall pay and perform the other obligations, as set forth in this Leasehold Mortgage and shall comply with each and every covenant and condition set forth herein and in each evidence of the Obligations, this Leasehold Mortgage and the other Financing Documents, these presents and the estate hereby granted shall cease, terminate and be void.

The Mortgagee may exercise any rights granted hereby in respect of the Mortgaged Property or any remedies (including cure rights) with respect to the Mortgaged Property; provided, however, so long as an Event of Default shall not have occurred and be continuing, the Mortgagee shall not have the right to enter the Premises to cure or prevent any default by the Mortgagor under this Leasehold Mortgage or otherwise take any action that interferes with the Mortgagor's construction, operation or maintenance of the Mortgaged Property, except as otherwise provided in the Security Documents.

### Section 3. Representations, Warranties and Covenants.

The Mortgagor represents, warrants and covenants to and with the Mortgagee as follows:

(i) The Mortgagor is a limited liability company duly organized and existing in good standing under the laws of the State of Delaware, is lawfully seized of the Mortgaged Property, has the power and authority to create, pledge and grant the leasehold mortgage as provided in this Leasehold Mortgage, to own its property and assets, and to enter into this Leasehold Mortgage, and its execution, delivery and performance of the obligations hereunder has been duly authorized by all necessary action on the part of the Mortgagor;

(ii) The Mortgagor has a valid leasehold interest in the portion of the Premises comprised of real property (other than such real property to which the Mortgagor instead has been granted Permanent Rights of Access under the Lease Agreement), subject only to encumbrances and defects that do not materially impair the Borrower's ability to perform its obligations under the Lease Agreement or the Financing Documents. The Mortgaged Property is, and the Mortgagor will keep the Mortgaged Property, free and clear of all liens and encumbrances other than the Permitted Security Interests. Mortgagor has not heretofore assigned the Mortgaged Property which is assigned hereunder, except pursuant to the Security Documents, and will forever warrant and defend the title to the Mortgaged Property against all claims and demands by, through or under the Mortgagor and will maintain and preserve the validity and priority of the lien of this Leasehold Mortgage so long as the Building Loan Note is outstanding;

(iii) The Mortgagor agrees that it will promptly and fully comply with all the terms, provisions, covenants, conditions, obligations and agreements imposed upon or assumed by the Mortgagor under the Lease Agreement, this Leasehold Mortgage, the Security Documents and the Loan

Agreements, except where non-compliance could not reasonably be expected to have a Material Adverse Effect, as determined without reference to the proviso contained in the definition of “Material Adverse Effect”;

(iv) The Mortgagor agrees that in the event that the Mortgagor fails to perform any of its obligations under this Leasehold Mortgage, the Lease Agreement or under the other Security Documents, the Mortgagee shall have the right (but not the obligation), to the extent set forth in the Lease Agreement or as otherwise approved by the Port Authority, to perform such obligations in accordance with the terms and conditions of the Lease Agreement, this Leasehold Mortgage and the other Security Documents; provided, however, so long as an Event of Default shall not have occurred and be continuing, the Mortgagee shall not have the right to enter the Premises to cure or prevent any default by the Mortgagor or otherwise take any action that interferes with the Mortgagor’s construction, operation or maintenance of the Mortgage Property, except as otherwise provided in the Security Documents; and

(v) The Mortgagor will prepare and execute any documents necessary to record this Leasehold Mortgage and prepare and execute any necessary financing statements and, at periodic intervals, continuation statements pursuant to the Uniform Commercial Code as in effect in the State of New York and any other documents required to perfect or continue the perfection of the lien and security interest granted in this Leasehold Mortgage, and will make any such filings, and will pay all filing or recording costs with respect thereto and all costs of filing or recording this Leasehold Mortgage or any other instrument, agreement or document executed and delivered pursuant to this Leasehold Mortgage in all public offices where filing or recording is deemed by the Mortgagee to be necessary or desirable. The Mortgagor will promptly pay, or cause to be paid, any mortgage recording taxes, fees or other charges, if any, due in connection with this Leasehold Mortgage and the other Security Documents.

Section 4. Payment of Debt Service.

Mortgagor will promptly pay, or cause to be paid, the principal, redemption price, and premium of and interest on the Building Loan Note, and all other sums secured hereby when due and will continue to be liable for the payment of debt service until such sums are paid in full, notwithstanding any actions which may be brought by the Mortgagee to recover any amount or amounts for installments of debt service or other sums to which it may be lawfully entitled under this Leasehold Mortgage or the other Security Documents, or to recover any amount or amounts in respect of taxes, assessments, water rents, sewer rents or other public charges, or fire or other insurance premiums to which it may be lawfully entitled under this Leasehold Mortgage.

Section 5. Insurance.

(a) The Mortgagor shall comply with the insurance requirements of the Building Loan Agreement.

(b) The Mortgagor hereby assigns and shall deliver to the Mortgagee all insurance proceeds the Mortgagor is entitled to under the Lease Agreement and does receive as collateral and further security for the Obligations of the Mortgagor secured hereby, to be applied in accordance with the Lease Agreement and the Collateral Agency Agreement.

\* \* \*

Section 7. Lease Agreement.

(a) The Mortgagor covenants that it will (i) promptly and fully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements imposed upon or assumed by the Mortgagor as lessee under the Lease Agreement, except where non-compliance could not reasonably be expected to have a Material Adverse Effect, as determined without reference to the proviso contained in the definition of "Material Adverse Effect", (ii) not do, or permit anything to be done, or omit or refrain from doing anything, the doing or omission of which will give the Port Authority a right to terminate the Lease Agreement, (iii) not terminate, or consent to the termination of, the Lease Agreement without the prior written approval of the Mortgagee, except as expressly permitted under the Lease Agreement. Upon the occurrence of any Lease Event of Default the Mortgagor shall promptly take such actions as may be necessary to timely effect a cure thereof and shall provide to the Mortgagee a copy of any remedial plan submitted to the Port Authority pursuant to the Lease Agreement contemporaneously with the submission thereof to the Port Authority and shall thereafter keep the Mortgagee apprised of any acceptance or rejection of such remedial plan by the Port Authority and of the Mortgagor's efforts to implement such remedial plan. After any termination of the Lease Agreement, to the extent the Mortgagor receives payment of the Port Authority Termination Sum or the Unamortized Costs Termination Sum (as each is defined in the Lease Agreement), such amounts will be immediately paid to the Collateral Agent for disposition in accordance with the Collateral Agency Agreement. The obligation under the immediately preceding sentence shall survive any termination of this Leasehold Mortgage for so long as any Obligations remain outstanding.

(b) The approval of Mortgagee (such approval not to be unreasonably withheld, delayed or conditioned) is required for any amendment, variation, modification of, or a waiver of the Mortgagor's rights and obligations under certain provisions of the Lease Agreement (including, in each case, amendments to or variations or modifications of the defined terms used in such provisions) or any other amendment, variation or modification of the Lease Agreement that could reasonably be expected to have a material adverse effect on the rights or interests of the Bondholders or Mortgagee. The Mortgagee will respond to any request from the Mortgagor or the Port Authority for approval of a modification or amendment of the Lease Agreement within a reasonable period of time.

(c) The parties hereto acknowledge that, except as specified in the Lease Agreement or as otherwise approved by the Port Authority, all rights of the Mortgagee hereunder shall be subject to all of the provisions of the Lease Agreement and to all of the rights of the Port Authority thereunder.

Section 8. Power of Attorney.

Upon the occurrence and during the continuance of an Event of Default hereunder, the Mortgagor hereby irrevocably constitutes and appoints the Mortgagee, with full authority in the name, place and stead of Mortgagor to do any and all things required to be done in the Mortgagee's discretion, to carry out the terms and accomplish the purposes of this Leasehold Mortgage as fully and effectively as the Mortgagor could do, including, but not limited to, the power to endorse the Mortgagor's name to checks, notes or other instruments for the payment of money, to deposit the same for the benefit of Mortgagee and to institute, prosecute and settle all claims of Mortgagor in connection therewith. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations are paid or satisfied in full and this Leasehold Mortgage is terminated. This power of attorney shall survive the dissolution and liquidation of Mortgagor. The powers conferred upon Mortgagee hereunder are solely to protect its interest and shall not impose any duty upon it to exercise any of such powers.

Section 9. No Assumption by the Mortgagee.

Nothing in this Leasehold Mortgage contained, nor any action or inaction on the part of the Mortgagee, is intended or shall be construed as establishing between the Mortgagee and any sublessee or between the Mortgagee and the landlord under the Lease Agreement or any party to the Financing Documents, the relationship of lessor and/or lessee or as rendering the Mortgagee responsible or liable to any person for the manner of maintenance of the property demised under or affected by the subleases, the Lease Agreement or the Financing Documents or the conduct of any business therein or as an assumption by the Mortgagee of any liability to any person for the fulfillment of any covenant or obligation of the subleases, the Lease Agreement or the Financing Documents prior to such time as the Mortgagee has taken ownership of the Mortgagor's interest in the Lease Agreement by foreclosure or otherwise. The Mortgagor shall at all times remain fully liable in every particular for the fulfillment of all of the terms and conditions of the Lease Agreement and of this Leasehold Mortgage in every particular.

Section 10. Events of Default.

An event of default ("Event of Default") hereunder shall exist upon the occurrence and during the continuation of any of the following events:

(i) A Lease Agreement Event of Default that continues beyond any applicable cure or grace period;

(ii) The Mortgagor fails to pay loan repayment amounts under the Building Loan Agreement and, solely in the case of such failure to pay interest, such failure is not remedied within five (5) Business Days after the applicable due date;

(iii) The Port Authority shall have given a termination notice to the Borrower pursuant to the Lease Agreement;

(iv) Any Security Documents shall cease (other than as expressly permitted under the Financing Documents) to be effective to grant a perfected Security Interest on any material portion of the Collateral other than as a result of actions or failure to act by the applicable Secured Party, and with the priority purported to be created thereby, and such event continues for thirty (30) days after the applicable agent giving notice thereof to the Mortgagor;

(v) An Event of Default related to the bankruptcy of the Borrower shall have occurred under the Building Loan Agreement;

(vi) An Event of Default on the part of the Mortgagor shall have occurred and be continuing under the D & C Contract that continues beyond any applicable cure or grace period; or

(vii) An Event of Default shall have occurred under any other provision of any Financing Document that continues beyond any applicable cure or grace period.

Section 11. Rights and Remedies.

(a) General.

The Mortgagee shall have those rights and remedies under this Leasehold Mortgage as are specifically provided by this Leasehold Mortgage, the Lease Agreement, the Trust Indenture, the Loan Agreements and the other Security Documents subject to the terms and conditions stated therein, at law

and in equity. Any amounts received by the Mortgagee in the exercise of its rights and remedies under this Leasehold Mortgage shall be applied by the Mortgagee in accordance with Section 15 hereof. Notwithstanding any other provision of this Leasehold Mortgage, the Mortgagee shall only be entitled to foreclose this Leasehold Mortgage upon the occurrence of an Event of Default under Subsection (i), (ii), (iii), (iv), (v) or (vi) of Section 10 hereof.

(b) Mortgagor Deemed Lessee.

(i) The Mortgagor, for all purposes under the Lease Agreement, shall be deemed to be the tenant under the Lease Agreement and the Mortgagee shall not have any right to use or occupy the Mortgaged Property for any of the purposes set forth in the Lease Agreement or for any other purpose whatsoever (except as permitted in connection with the exercise of the Mortgagee's rights and remedies under this Leasehold Mortgage, the Lease Agreement or the other Security Documents, and except for the purpose of preserving the Mortgaged Property to the extent permitted in the Lease Agreement, this Leasehold Mortgage, or the other Security Documents, as applicable), and the Mortgagee acknowledges that the consent of the Port Authority to this Leasehold Mortgage has been given expressly upon such condition.

(ii) Except as permitted in connection with the exercise of the Mortgagee's rights and remedies under this Leasehold Mortgage, the Lease Agreement or the other Security Documents, and except for the purpose of preserving the Mortgaged Property to the extent permitted in the Lease Agreement, this Leasehold Mortgage and the other Security Documents, the Mortgagor shall have full and complete control of the operation and use of the Mortgaged Property.

(c) Notice of Default, Foreclosure Notice and Port Authority's Right to Purchase.

(i) The Mortgagee shall send to the Port Authority a copy of each notice of default or notice of delinquency under the Building Loan Note or this Leasehold Mortgage, at the same time as and whenever any such notice of default or delinquency shall have been sent to the Mortgagor, but the Port Authority shall not have the right to cure any default under this Leasehold Mortgage except to the extent provided in Section 11(c)(ii) below. If an Event of Default shall have occurred and be continuing, and the Mortgagee intends to foreclose, the Mortgagee shall give the Mortgagor and the Port Authority written notice of its intention to foreclose (a "Foreclosure Notice") and notice of (i) the amount of the unpaid principal amount of the Building Loan Note and any accrued interest thereon, and (ii) the amount on deposit in each of the Project Accounts to the extent available to be disbursed pursuant to the Collateral Agency Agreement.

(ii) To the extent provided in the Lease Agreement, the Port Authority shall have the right but not the obligation following the giving of such Foreclosure Notice by the Mortgagee to purchase this Leasehold Mortgage and the other Security Documents from the Mortgagee in accordance with the Lease Agreement. In addition to the foregoing, the Mortgagee agrees to be bound by the provisions of the applicable section of the Lease Agreement governing such right of the Port Authority.

(iii) The Mortgagee shall give additional notice to the Mortgagor and the Port Authority of the commencement of any proceeding to foreclose upon this Leasehold Mortgage as well as all subsequent pleadings, notices and documents in connection with such proceedings and the termination or discontinuance thereof and any other proceedings to realize on any security interest or separate agreement of the Mortgagor with respect to the Bonds, and shall keep the Port Authority advised of the progress of such proceedings.

(iv) Nothing herein shall be deemed to preclude the Port Authority from bidding on the same terms and conditions as independent third parties for or from becoming the owner of the Mortgaged Property and the other property encumbered by the other Security Documents and the Mortgagor's leasehold estate free from any claims, equities or rights of redemption of the Mortgagor, the Bondholders and the Mortgagee, and the Port Authority shall have the right to bid for the Mortgaged Property and the property encumbered by the other Security Documents and the Mortgagor's leasehold estate on the same terms and conditions as independent third parties at any sale, public or private, whether held pursuant to a judgment of foreclosure or otherwise.

(v) Without limiting any other provisions of the Lease Agreement, if a purchaser at a foreclosure sale shall acquire title to the Lease Agreement and the Mortgagor's leasehold estate thereunder, such purchaser's rights to assign, sell or transfer the leasehold shall be as set forth in the Lease Agreement.

(d) Incorporation of Additional Rights and Remedies.

Pursuant to certain provisions of the Lease Agreement, the Loan Agreement, the Trust Indenture, the Collateral Agency Agreement and the other Security Documents, including, without limitation, certain provisions of the Lease Agreement concerning lenders' rights and remedies, the Mortgagee has certain rights and remedies upon an Event of Default, including, without limitation, the right to foreclose upon the Mortgagor's interest in, or otherwise compel an assignment of, the Lease Agreement and the right to compel a New Agreement (as defined in the Lease Agreement), all of which provisions are hereby incorporated herein by reference as if fully set forth herein, and the Mortgagee shall have the benefit of and be entitled to rely on such provisions, subject to the terms and conditions stated therein and the terms and conditions of this Leasehold Mortgage, with the same force and effect as if they were set forth in full in this Leasehold Mortgage.

(e) Mortgagee's Ability to Cure Default.

(i) If a Lease Event of Default shall have occurred and be continuing, Mortgagor acknowledges and agrees that the Port Authority (as lessor under the Lease Agreement) has agreed to accept and permit the curing of any default under the Lease Agreement by the Mortgagee or its designee, including, without limitation, any Qualified Terminal Operator appointed in accordance with the Lease Agreement, as, if and with the same force and effect as though cured by the Mortgagor. The curing of any such default by the Mortgagee shall not be deemed to cure any default by the Mortgagor under this Leasehold Mortgage or the other Financing Documents and shall not relieve the Mortgagor from any obligation to reimburse the Mortgagee for any costs and expenses incidental to the curing of such defaults.

(ii) Without limiting the generality of the other provisions of this Leasehold Mortgage, and without waiving or releasing Mortgagor from its obligations hereunder, the Mortgagee may personally, or by its agents or attorneys, including, but not limited to, any Qualified Terminal Operator appointed in accordance with the Lease Agreement, (but shall not be obligated to) take any action at law or in equity that, subject to the terms and conditions of the Lease Agreement or as otherwise approved by Port Authority, Mortgagee, in its sole discretion, deems necessary or desirable to prevent or cure any default by the Mortgagor in the performance of or compliance with any of the Mortgagor's covenants or obligations under the Lease Agreement or any Security Document, except where non-compliance could not reasonably be expected to have a Material Adverse Effect, as determined without reference to the proviso contained in the definition of "Material Adverse Effect", and the Mortgagee and any person designated by the Mortgagee shall have, and are hereby granted, the right to enter upon the Premises to such extent and as often as the Mortgagee in its sole discretion deems necessary or desirable

to prevent or cure any such default by the Mortgagor, subject to the terms and conditions of the Lease Agreement or as otherwise approved by the Port Authority; provided, however, so long as an Event of Default shall not have occurred and be continuing, the Mortgagee shall not have the right to enter the Premises to cure or prevent any default by the Mortgagor or otherwise take any action that interferes with the Mortgagor's construction, operation or maintenance of the Mortgaged Property except as otherwise provided in the Security Documents and not prohibited by the Lease Agreement. The Mortgagee may, but shall not be required to, expend such sums of money as the Mortgagee, in its sole discretion, deems necessary for any such purpose, and the Mortgagor hereby agrees to pay to the Mortgagee, immediately upon demand, all reasonable sums so expended by the Mortgagee, together with interest thereon from the date of disbursement at a rate of interest per annum equal to two (2) percentage points above the rate published by The Wall Street Journal (or, if The Wall Street Journal shall not be published, a domestic financial newspaper of comparable status designated by Mortgagee) from time to time as the generally prevailing rate of interest charged by commercial banks on ninety (90) day unsecured loans to their most preferred corporate customers in Queens County. All reasonable sums so expended by the Mortgagee and the Bondholders and such interest thereon shall be added to the indebtedness of the Mortgagor to Mortgagee and the Bondholders and secured by the lien of this Leasehold Mortgage.

(f) Remedies.

(i) Subject to the limitations of Section 11(a) hereof, upon the occurrence of an Event of Default that continues beyond any applicable cure or grace period, the Mortgagee may in addition to any rights or remedies available to it hereunder, subject to the terms and conditions of the Lease Agreement or as otherwise approved by the Port Authority, without notice or demand, as it deems advisable to protect and enforce its rights against the Mortgagor and in and to the Mortgaged Property and without impairing or otherwise affecting the other rights and remedies of the Mortgagee, take any one or more of the following actions, at such times and in such order as the Mortgagee shall determine in its sole discretion. During the continuance of any Event of Default, the Mortgagee personally, or by its agents or attorneys, including, but not limited to, any Qualified Terminal Operator appointed in accordance with the Lease Agreement, may enter into and upon all or any part of the Premises, and each and every part thereof, and may exclude the Mortgagor, its agents and servants wholly therefrom; and having and holding the same, may use, operate, manage and control the Mortgaged Property and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or receivers; and upon every such entry, the Mortgagee, at the expense of the Mortgagor, from time to time, either by purchase, repairs or construction, may maintain and restore the Mortgaged Property, and may insure the same; and likewise, from time to time, at the expense of the Mortgagor, the Mortgagee may make all necessary or proper repairs, renewals and replacements and such useful alterations, additions, betterments and improvements thereto and thereon as to it may seem advisable; and in every such case the Mortgagee shall have the right to manage and operate the Mortgaged Property and to carry on the business thereof and exercise all rights and powers of the Mortgagor with respect thereto, either in the name of the Mortgagor or otherwise as it shall deem best.

(ii) Subject to the limitations of Section 11(a) hereof, upon the occurrence of an Event of Default that continues beyond any applicable cure or grace period, without limiting the generality of the other provisions of this Leasehold Mortgage or any other rights at law or in equity, the Mortgagee, with or without entry, personally or by its agents or attorneys, including, but not limited to, any Qualified Terminal Operator appointed in accordance with the Lease Agreement, insofar as applicable, may, in each case subject to the applicable provisions of the Lease Agreement (including certain provisions concerning lenders' rights and remedies) and the Collateral Agency Agreement:

(1) sell the Mortgaged Property to the extent permitted and pursuant to the procedures provided by law, and all estate, right, title and interest, claim and demand



therein, and right of redemption thereof, at one or more sales as an entirety or in parcels, and at such time and place upon such terms and after such notice thereof as may be required or permitted by law;

(2) institute proceedings for the foreclosure of this Leasehold Mortgage; or

(3) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Lease Agreement, this Leasehold Mortgage or any of the other Security Documents, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as the Mortgagee shall elect.

(g) Bankruptcy.

(i) If the Port Authority, or anyone holding by, through or under the Port Authority or a trustee in bankruptcy shall elect to reject the Lease Agreement pursuant to Section 365(a) of the Bankruptcy Code, or a successor statute, thereby giving to Mortgagor the right to elect to treat the Lease Agreement as terminated pursuant to Section 365(h)(1) of the Bankruptcy Code, or a successor statute, Mortgagee shall have the exclusive right to exercise said right and Mortgagor hereby assigns said right to Mortgagee. Mortgagor shall not, without Mortgagee's prior written consent, elect to treat either the Lease Agreement or the leasehold estate created thereby as terminated under Subsection 365(h)(1) of the Bankruptcy Code or any successor statutory provision, after rejection or disaffirmance of the Lease Agreement by the Port Authority or by any trustee of such party, and any such election made without such consent shall, to the extent permitted by law, be void and ineffective.

(ii) Mortgagor hereby unconditionally assigns, transfers and sets over to Mortgagee all of Mortgagor's claims and rights to the payment of damages that may hereafter arise as a result of any rejection or disaffirmance of the Lease Agreement by the Port Authority or by any trustee of such party, pursuant to the Bankruptcy Code. To the extent Mortgagor shall fail to timely and reasonably proceed upon request of Mortgagee, Mortgagee shall have and is hereby granted the right to proceed, in its own name or in the name of Mortgagor, in respect of any claim, suit, action or proceeding relating to the rejection or disaffirmance of the Lease Agreement (including, without limitation, the right to file and prosecute, to the exclusion of Mortgagor, any proofs of claim, complaints, motions, applications, notices and other documents) in any case in respect of the Port Authority under the Bankruptcy Code. This assignment constitutes a present, irrevocable and unconditional assignment of the foregoing claims, rights and remedies, and shall continue in effect until the Obligations shall have been satisfied and discharged in full. Any amounts received by Mortgagee as damages arising out of any such rejection of the Lease Agreement shall be applied by Mortgagee in accordance with Section 15 hereof.

(iii) In the event that any action, proceeding, motion or notice shall be commenced or filed by the Port Authority under the Lease Agreement in respect of the Lease Agreement or the Mortgaged Property or any part thereof, in connection with any case under the Bankruptcy Code, and Mortgagor shall fail to timely and reasonably proceed upon request by Mortgagee, Mortgagee shall have, and is hereby granted, the option, to the exclusion of Mortgagor, exercisable upon notice from Mortgagee to Mortgagor, to conduct and control any such litigation with counsel of Mortgagee's choice. Mortgagee may proceed, in its own name or in the name of Mortgagor, in connection with any such litigation, and Mortgagor agrees to execute any and all powers, authorizations, consents and other documents required by Mortgagee in connection therewith. Mortgagor shall, upon demand, pay to Mortgagee all costs and expenses (including without limitation, reasonable legal fees and disbursements) paid or incurred by Mortgagee, before and after judgment, in connection with the prosecution or conduct

of any such proceedings, and, to the extent permitted by law, such costs and expenses shall be deemed expenses incurred in upholding the lien of this Mortgage and added to the Obligations. Mortgagor shall not, without the prior written consent of Mortgagee, commence any action, suit, proceeding or case, or file any application or make any motion, in respect of the Lease Agreement in any such case under the Bankruptcy Code.

(iv) In the event that a petition under the Bankruptcy Code shall be filed by or against Mortgagor, and Mortgagor, or anyone claiming through or under Mortgagor or a trustee in bankruptcy shall have the right to reject the Lease Agreement pursuant to Section 365(a) of the Bankruptcy Code or a successor statute, Mortgagor shall give Mortgagee at least thirty (30) days' prior written notice of the date on which application shall be made to the court for authority to reject the Lease Agreement; provided, however, that if a trustee in bankruptcy shall have a right to reject the Lease Agreement in less than thirty (30) days, then Mortgagor shall give such notice to Mortgagee immediately upon Mortgagor's knowledge of such application, provided further, that in the event that Mortgagor or its trustee in bankruptcy shall have decided to reject or disaffirm the Lease Agreement, then prior to making any application to effectuate any such rejection or disaffirmance Mortgagor shall offer instead, upon not less than thirty (30) days written notice to the Mortgagee, to attempt to assign the Lease Agreement to the Mortgagee, its designee or nominee. In no event shall the Mortgagor have an obligation to cure any outstanding defaults in connection with any such assignments. In the event Mortgagee accepts such offer within such thirty (30) day period, as it may be extended by mutual agreement, Mortgagor shall not seek to reject or disaffirm the Lease Agreement and shall instead promptly assign the Lease Agreement to Mortgagee, its designee or nominee. In the event of any rejection or disaffirmance of the Lease Agreement by Mortgagor or anyone claiming through or under Mortgagor or a trustee in bankruptcy without having first made the preceding written offer to assign, upon written election by the Mortgagee such rejection or disaffirmance shall be deemed an assignment of the Lease Agreement to the Mortgagee, its designee or nominee. Furthermore, until such time as the Lease is so rejected or disaffirmed or otherwise assumed by Mortgagor, Mortgagee shall have the right to seek adequate protection for payment of the Obligations.

(v) If any of the assignments provided for in this paragraph are held to be unenforceable, then Mortgagor, anyone claiming by, through or under Mortgagor or a trustee in bankruptcy, shall not exercise rights purportedly assigned to Mortgagee without the prior written consent of Mortgagee, and if Mortgagee shall give such consent, Mortgagor, anyone claiming by, through or under Mortgagor or a trustee in bankruptcy shall promptly exercise either of said rights.

(vi) To the extent permitted by applicable law and to the extent Mortgagor unreasonably fails to act in a timely manner upon request of Mortgagee, Mortgagor hereby assigns, transfers and sets over to Mortgagee a right to apply to the Bankruptcy Court under Subsection 365(d)(4) of the Bankruptcy Code for an order extending the period during which the Lease Agreement may be rejected or assumed after the entry of any order for relief in respect of Mortgagor under Chapter 7 or Chapter 11 of the Bankruptcy Code.

#### Section 12. Sale by the Mortgagee.

(a) The Mortgagee may adjourn from time to time any sale by it to be made under or by virtue of this Leasehold Mortgage by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by any applicable provision of law, the Mortgagee, without further notice or publication, may make such sale at the time and place to which the same shall be so adjourned.

(b) Upon the completion of any sale or sales made by the Mortgagee under or by virtue of this Leasehold Mortgage, the Mortgagee, or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument, or good and sufficient instruments, assigning and transferring all of the Mortgagor's estate, right, title and interest in and to the property and rights sold. The Mortgagee may, at the Mortgagee's option, also foreclose this Leasehold Mortgage for any portion of the sums secured hereby which is then due and payable, subject to the continuing lien of this Leasehold Mortgage for the balance of the Obligations then due. Upon the occurrence and during the continuance of an Event of Default, the Mortgagee is hereby irrevocably appointed the true and lawful attorney-in-fact of the Mortgagor, in its name and stead, to make all necessary conveyances, assignments, transfers and deliveries of the Mortgaged Property and rights so sold and for that purpose the Mortgagee may execute all necessary instruments of assignment and transfer, and may substitute one or more persons with like power, the Mortgagor hereby ratifying and confirming all that its said attorney-in-fact or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, the Mortgagor, if so requested by the Mortgagee, shall ratify and confirm any such sale or sales by executing and delivering to the Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of the Mortgagee, for the purpose, and as may be designated, in such request. Any such sale or sales made under or by virtue of this Leasehold Mortgage, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of the Mortgagor in and to the property and rights so sold, and shall be a perpetual bar both at law and in equity against the Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof from, through or under the Mortgagor.

(c) The purchase money, proceeds or avails of any sale made under or by virtue of this Leasehold Mortgage, together with any other sums which then may be held by the Mortgagee under this Leasehold Mortgage, whether under the provisions of this Section 12 or otherwise, shall be applied in the order set forth in Section 15 hereof.

(d) Upon any sale made under or by virtue of this Leasehold Mortgage or any of the other Security Documents, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, the Mortgagee may bid for and acquire the Mortgaged Property and the other property encumbered by the other Security Documents or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the indebtedness of the Mortgagor secured by this Leasehold Mortgage the net sales price after deducting therefrom the expenses of the sale and the costs of the action and any other sums which the Mortgagee are authorized to deduct under this Leasehold Mortgage.

(e) The foregoing paragraphs (a)-(d) shall be subject to the terms and conditions of the Lease Agreement or as otherwise approved by the Port Authority.

\* \* \*

#### Section 15. Application of Proceeds.

All proceeds received by the Mortgagee from the sale or other disposition of this Leasehold Mortgage or from the exercise by the Mortgagee of any right or remedy under this Leasehold Mortgage, whether received from a new lessee or otherwise, shall be applied for the benefit of the Secured Parties as follows:

First: to the payment of all costs and expenses reasonably incurred by the Mortgagee in connection with any such sale or other disposition of this

Leasehold Mortgage, including, without limitation, all court costs and the reasonable fees and expenses of counsel for the Mortgagee in connection therewith, and the payment of all costs and expenses paid or incurred by the Mortgagee in connection with this Leasehold Mortgage or the exercise of any right or remedy hereunder, to the extent that such advances, costs and expenses shall not have been paid to the Mortgagee upon its demand therefor; and

Second: to the Collateral Agent for disposition in accordance with the Collateral Agency Agreement.

Section 16. Waiver by the Mortgagor.

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, any exemption from execution or sale of the Mortgaged Property or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of this Leasehold Mortgage, nor claim, take or insist upon any benefit or advantage of any law now or hereafter in force 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 provision herein, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the property so sold or any part thereof and the Mortgagor hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to the Mortgagee, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. The Mortgagor, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Mortgaged Property marshaled upon any foreclosure hereof.

Section 17. Condemnation.

In the event that pursuant to the terms of the applicable section of the Lease Agreement, a Material Portion of the Premises is acquired by the Port Authority or a Governmental Entity through condemnation or power of eminent domain, such taking shall be free and clear of this Leasehold Mortgage and any interest of the Mortgagee in the Mortgaged Property. The Mortgagor hereby assigns to the Mortgagee the entire consideration received by the Mortgagor in connection with such a taking as collateral and further security for the Obligations and the Mortgagor hereby consents to and directs that the Port Authority pay to the Mortgagee, as the sole and entire consideration for such taking, the amount provided under the applicable section of the Lease Agreement. Any amount so paid by the Port Authority to the Mortgagee shall be applied by the Mortgagee in accordance with the Lease Agreement and the Collateral Agency Agreement.

No sale, transfer or assignment by the Mortgagor of its interest in the Mortgaged Property or the Mortgagor's leasehold estate to the Port Authority shall create a merger between the estates of the Port Authority and the Mortgagor unless the Port Authority, the Mortgagor and the Mortgagee consent to such merger in writing, nor shall any such sale, transfer or assignment be deemed to affect or diminish the liabilities of the Mortgagor with respect to the Mortgaged Property, whether for survived damages or otherwise.

\* \* \*

Section 20. Additional Bonds Designated Senior Bonds Secured.

The Mortgagor and the Mortgagee understand and agree that the Issuer may, from time to time, establish and authorize the issuance and sale of Additional Bonds for purposes of the Project on parity with, or subordinate to the Series 2016 Bonds. In the case of the issuance of additional Senior Bonds, such Bonds shall have the same notes, pledges, mortgages, security interests and assignments applicable to the Series 2016 Bonds pursuant to the Supplemental Indenture authorizing such Series of Bonds, and the Mortgagor and the Mortgagee shall execute such documents as may reasonably be required by the Issuer acting at the request of either the Mortgagor or the Mortgagee to accomplish such purposes.

\* \* \*

Section 22. Payment by the Mortgagee.

If the Mortgagor (i) fails to pay any claim, lien or encumbrance which is prior or junior to this Leasehold Mortgage, or any rent or payment due under the Lease Agreement when due, or any tax or assessment or insurance premium when due, or (ii) fails to keep the Mortgaged Property or personal property in good repair, or (iii) shall commit or permit physical waste, or if there be commenced any action or proceeding affecting all or any part of the Mortgaged Property or personal property or the title thereto, then the Mortgagee, at its option, may pay such claim, lien, encumbrance, rent, payment, tax, assessment, or premium, with right of subrogation thereunder, may make such repairs and take such steps as the Mortgagee deems advisable to prevent or cure, if any, such waste, and may appear in any such action or proceeding and retain counsel therein, and take any action therein as the Mortgagee deems advisable, and for any of said purposes the Mortgagee may advance such sums of money as it deems necessary; provided, however, so long as an Event of Default shall not have occurred and be continuing, the Mortgagee shall not have the right to enter the Premises to cure or prevent any default by the Mortgagor or otherwise take any action that interferes with the Mortgagor's construction, operation or maintenance of the Mortgaged Property, except as otherwise provided in the Lease Agreement and the Security Documents.

\* \* \*

Section 25. Inspection by the Mortgagee.

The Mortgagee and any persons authorized by the Mortgagee shall have the right to enter and inspect the Premises at all reasonable times upon reasonable notice, subject to the terms of the Lease Agreement or as otherwise approved by the Port Authority. The Mortgagee shall not have any duty to make any such inspection and shall not incur any liability or obligation for not making such inspection.

Section 26. Compromise Without Notice.

Any action, suit or proceeding brought by the Mortgagee pursuant to this Leasehold Mortgage or otherwise, and any claim made by any such person under this Leasehold Mortgage or otherwise, may be compromised, withdrawn or otherwise dealt with by such person without any notice to or approval of the Mortgagor.

Section 27. Suits Without Acceleration.

After the expiration of any applicable period of notice, the Mortgagee shall have the right from time to time to sue for any sums, whether interest, principal or any installment of either or both,

taxes, penalties, or any other sums required to be paid under the terms of this Leasehold Mortgage, as the same become due, without regard to whether or not all of the indebtedness shall be due on demand, and without prejudice to the right of the Mortgagee thereafter to enforce any appropriate remedy against the Mortgagor, including sale under this Leasehold Mortgage, or any other action, for a default or defaults by the Mortgagor existing at the time such earlier action was commenced.

\* \* \*

Section 30. Information.

At the time of delivery of financial statements under the Continuing Disclosure Agreement, the Mortgagor will deliver to the Mortgagee a certificate stating that, to the best of its knowledge and belief based on due diligence, no condition or event exists which constitutes, or which (after notice or lapse of time or both) would constitute, an Event of Default, or if any such condition or event exists, specifying the nature and period of existence thereof and what action it is taking or proposes to take with respect thereto.

Section 31. Invalidity of Certain Provisions/ Severability.

All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Leasehold Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. If any term of this Leasehold Mortgage shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of other terms of this Leasehold Mortgage shall in no way be affected thereby. If any provision hereof or of any of the written instruments evidencing part or all of the Obligations is invalid or unenforceable under any statute, regulation or rule of law in any jurisdiction such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform to such statute, regulation or rule of law to the extent permitted in keeping with the intentions of the parties hereto, and the remainder of this Leasehold Mortgage and the application of any such invalid or unenforceable provision to parties, jurisdictions or circumstances other than to whom or to which it is held invalid or unenforceable, shall not be affected thereby nor shall same affect the validity or enforceability of any other provision of this Leasehold Mortgage.

\* \* \*

Section 33. Lien Law.

This Leasehold Mortgage is subject to the trust fund provisions of Section 13 of the New York Lien Law. The Mortgagor will indemnify and hold the Mortgagee harmless against any loss or liability, cost or expense, including, without limitation, any judgments, attorneys' fees, costs of appeal bonds and printing costs, arising out of or relating to any proceeding instituted by any claimant alleging a violation by the Mortgagor of any Section of Article 3-A of the Lien Law.

\* \* \*

Section 37. Discharge of Leasehold Mortgage by the Lessee.

(a) This Leasehold Mortgage shall be deemed satisfied, discharged and of no further force and effect upon the retirement, redemption, refunding, defeasance, satisfaction or other payment or discharge of the Series 2016 Bonds and other Obligations in full accordance with the provisions of the

Financing Documents, and the Mortgagee shall execute and deliver to the Port Authority and the Mortgagor all documents, in recordable form, that may be required or reasonably requested to evidence the discharge and satisfaction of this Leasehold Mortgage.

(b) As required by the Lease Agreement, if the Port Authority issues a Partial Termination Notice to the Mortgagor terminating the Lease Agreement with respect to the Central Hall (as defined in the Lease Agreement), this Leasehold Mortgage will be deemed to be released with respect to the Central Hall effective as of the Partial Termination Date (as defined in the Lease Agreement) and Mortgagee agrees to execute, acknowledge and deliver any further instrument or instruments reasonably requested by Mortgagor or the Port Authority to reflect such release.

\* \* \*

Section 40. LAW GOVERNING THE LEASEHOLD MORTGAGE.

THE EFFECT AND MEANING OF THIS LEASEHOLD MORTGAGE AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

Section 41. Sale, Conveyance, Transfer, Mortgage, Pledge, Assignment and Modification.

Any sale or transfer of the Mortgagee's interest in this Mortgage shall be subject to any applicable provisions of the Lease Agreement.

Except as expressly permitted pursuant to the Lease Agreement, the Mortgagor shall not cause or permit a sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, grant of any options with respect to, or any other transfer or disposition (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) of a legal or beneficial interest in the Mortgaged Property or any part thereof or the Mortgagor, without the prior written consent of Mortgagee unless otherwise expressly permitted under the Financing Documents. Notwithstanding anything to the contrary contained herein or in any of the other Security Documents, this Leasehold Mortgage shall survive an assignment of the Lease Agreement, and this Leasehold Mortgage shall remain in full force and effect.

The Mortgagor shall not surrender or terminate the Lease Agreement, or enter into any agreement to do so, without the prior written consent of the Mortgagee except as expressly permitted pursuant to the Lease Agreement. Any agreement, surrender or termination in violation of the preceding sentence shall be void ab initio.

\* \* \*

Section 44. Assignment of Mortgaged Rents.

Subject to and in compliance with the terms of the Lease Agreement, Mortgagor hereby absolutely and unconditionally assigns to Mortgagee all of Mortgagor's right, title and interest in and to all current and future Subleases and Mortgaged Rents; it being intended by the Mortgagor that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of the Financing Documents, Mortgagee grants to the Mortgagor a revocable license to collect, receive, use and enjoy the Mortgaged Rents and the Mortgagor shall hold the

Mortgaged Rents, or a portion thereof sufficient to discharge all current sums due on the Obligations, for use in the payment of such sums or as otherwise provided in the Financing Documents.

\* \* \*

Section 46. Lien Priority.

This Building Loan Leasehold Mortgage is being executed contemporaneously with that certain Project Loan Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing granted to the Mortgagee by the Mortgagor with respect to the Lease Agreement and shall be junior in lien priority to such mortgage recording regardless of the order of recording thereof.

\* \* \*



**Appendix D-4**

**CERTAIN PROVISIONS  
OF THE LOAN AGREEMENTS**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

*The following includes certain provisions of the Building Loan Agreement and is not a full statement of the terms of the Building Loan Agreement. The Project Loan Agreement is substantially identical in all material respects. Accordingly, the following is qualified in its entirety by reference to such agreements and is subject to the full text of such agreements. Copies of such agreements are available, free of charge, upon request from the Borrower or the Trustee. Unless otherwise stated, any reference in this Official Statement to any agreement means such agreement and all schedules, exhibits and attachments thereto, as amended, supplemented or otherwise modified and in effect as of the date hereof. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.*

\* \* \*

### ARTICLE III ISSUANCE OF THE SERIES 2016 BONDS

#### **Section 3.1 Agreement to Issue the Series 2016 Bonds; Loan of Proceeds.**

The Issuer hereby agrees to issue, sell and deliver the Series 2016 Bonds in accordance with the terms of the Indenture, this Loan Agreement, the Project Loan Agreement, and the Collateral Agency Agreement in order to provide for the financing of the Project. Upon the terms and conditions of this Loan Agreement, the Project Loan Agreement, the Indenture, and the Collateral Agency Agreement, the Issuer hereby agrees to lend to the Borrower on the Closing Date the proceeds of the Series 2016 Bonds which shall reflect (i) \$ \_\_\_\_\_ loaned to the Borrower pursuant to this Loan Agreement (the “Series 2016 Building Loan”), and (ii) \$ \_\_\_\_\_ loaned to the Borrower pursuant to the Project Loan Agreement (the “Series 2016 Project Loan” together with the Series 2016 Building Loan, the “Series 2016 Loans”). Upon written instructions from the Borrower, the Issuer hereby agrees to instruct the Trustee to deliver to the Collateral Agent the proceeds received from the sale of the Series 2016 Bonds with instruction to deposit such proceeds directly into the Tax-Exempt Bond Proceeds Sub-Account and the Taxable Bond Proceeds Sub-Account, as applicable, of the Construction Account held by the Collateral Agent pursuant to the Collateral Agency Agreement and the Capitalized Interest Account held by the Collateral Agent pursuant to the Collateral Agency Agreement and as otherwise required by the Collateral Agency Agreement and agreed to by the Borrower.

#### **Section 3.2 Provision of Funds.**

In the event that proceeds derived from the Series 2016 Loans, or any other available (or to be available) funds are not sufficient to pay the Project Costs as and when due and payable, the Borrower agrees to pay (or cause to be paid) all of such Project Costs as and when due and payable, and the Borrower will provide any additional funds required to pay Project Costs; provided, however the Borrower shall not be entitled to any reimbursement from the Issuer or the Trustee for the payment of such Project Costs nor shall the Borrower be entitled to any abatement, diminution or postponement of its payments hereunder.

#### **Section 3.3 Series 2016 Loans to Finance Project Costs; Trust Fund.**

(a) The Borrower shall use the proceeds of the Series 2016 Loans to pay for Project Costs pursuant to this Loan Agreement and the Project Loan Agreement. Proceeds of the Series 2016 Bonds

shall be applied only for Project Costs, and subject to such further limitations as are set forth in the Lease Agreement, the Collateral Agency Agreement, this Loan Agreement, the Project Loan Agreement, and the Tax Certificate.

(b) This Loan Agreement and the Building Loan Leasehold Mortgage are subject to the Trust Fund provisions of Section 13 of the Lien Law of the State. The Borrower shall receive all advances of funds under this Loan Agreement and will hold the right to receive such advances as a trust fund to be applied first to the payment of the “cost of the improvement” under subdivision 5 of Section 2 of the Lien Law before using any part of the same for any other purpose. In addition, a true statement under oath, verified by the Borrower, as required by Section 22 of such Lien Law, is attached hereto and made a part hereof.

**Section 3.4 Series 2016 Loans as Security for Series 2016 Bonds.**

The Borrower acknowledges that this Loan Agreement and the Project Loan Agreement are intended as security for payment of the principal of, Redemption Price of and interest on the Series 2016 Bonds.

**Section 3.5 Security for Repayment of Series 2016 Loans.**

Prior to or simultaneously with the delivery of this Loan Agreement, the Borrower shall deliver the Project Loan Agreement, the Security Documents and Collateral to the Collateral Agent for the benefit of the Collateral Agent as security for the payments and obligations of the Borrower hereunder.

**Section 3.6 Limitation of Issuer’s Liability.**

The Series 2016 Bonds are special and limited obligations of the Issuer, payable solely from and secured exclusively by the Trust Estate, including the payments to be made by the Borrower under this Loan Agreement, the Project Loan Agreement, and any Additional Bonds Loan Agreement Supplement. The Series 2016 Bonds are not payable from taxes or appropriations made by the State, or of any county, municipality or any other political subdivision, agency or instrumentality established under the Laws of the State or the City. The Series 2016 Bonds do not constitute an indebtedness, or a pledge of the faith and credit of, the State or any county, municipality or other political subdivision, agency or instrumentality established under the Laws of the State (other than the Issuer), or the City or any political subdivision thereof within the meaning or application of any constitutional provision or limitation. The special limited obligation of the Issuer to pay the amount of the principal of, premium, if any, and interest on the Series 2016 Bonds does not constitute a pledge of the faith, credit or taxing power of the State or the City or any county, municipality or any other political subdivision, agency or instrumentality established under the Laws of the State or the City thereof within the meaning or application of any constitutional provision or limitation. The Issuer has no taxing power. The Owners of the Series 2016 Bonds have, individually and collectively, no right to have taxes levied or compel appropriations by the State or the City or any county, municipality or any other political subdivision, agency or instrumentality established under the Laws of the State, or the City of the State or the City for the payment of any or all of the amount of such principal of, premium, if any, and interest on the Series 2016 Bonds.

No provision, covenant, or agreement contained in this Loan Agreement, or any obligations herein imposed upon the Issuer, or the breach thereof shall give rise to a pecuniary liability of the Issuer or any member, officer or agent of the Issuer or a charge against the Issuer’s general credit. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Issuer has not obligated itself except with respect to the application of the payments, as hereinabove provided.

No recourse shall be had for the payment of, or premium, if any, or interest on any of the Series 2016 Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Loan Agreement contained, against any past, present or future officer, director, member, trustee, employee or agent of the Issuer or any officer, director, member, trustee, employee or agent of any successor entity, as such, either directly or through the Issuer or any successor entity, under any rule of law or equity, statute or constitution or by enforcement by any assessment or penalty or otherwise.

All covenants, stipulations, promises, agreements and obligations of the Issuer set forth herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of principal, redemption price, if any, of or interest on the Series 2016 Bonds or for any claim based thereon or hereunder against any member, officer or employee of the Issuer or any Person executing the Series 2016 Bonds in their individual capacity.

**Section 3.7 Compliance with Indenture and Collateral Agency Agreement.**

(a) In accordance with any applicable provisions of the Indenture, the Issuer shall take any action directed by the Borrower to the extent required under, or permitted by, the provisions of the Indenture, this Loan Agreement, and the Collateral Agency Agreement.

(b) The Borrower consents to the terms and conditions of the Indenture and shall take all action required to be taken by the Borrower in the Indenture as if the Borrower were a party thereto.

**ARTICLE IV  
LOAN PROVISIONS**

**Section 4.1 Amounts Payable.**

(a) (1) The Borrower hereby covenants and agrees to repay the Series 2016 Loans, as follows: on or before any Interest Payment Date for the Series 2016 Bonds or any other date that any payment of interest, principal or Redemption Price on the Series 2016 Bonds is required to be made in respect of the Series 2016 Bonds pursuant to the Indenture (which payments for principal and interest will be in the respective amounts set forth on the debt service schedule attached hereto and as amended from time to time pursuant to the Indenture), until the payment of interest, principal, or Redemption Price on the Series 2016 Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in the applicable Series 2016A Tax-Exempt Bond Interest Payment Sub-Account, Series 2016A Tax-Exempt Bond Principal Payment Sub-Account, Series 2016B Taxable Bond Interest Payment Sub-Account, and Series 2016B Taxable Bond Principal Payment Sub-Account in the Senior Bond Payment Account will enable the Collateral Agent to transfer to the Trustee sufficient funds to pay to the Owners of the Series 2016 Bonds the amount due and payable on such date as interest, principal or Redemption Price on the Series 2016 Bonds as provided in the Indenture; provided however, that amounts to be applied to the optional or extraordinary redemption of Bonds pursuant to the Indenture, respectively, shall be deposited in the Series 2016A Tax-Exempt Bond Redemption Sub-Account or the Series 2016B Taxable Bond Redemption Sub-Account (or any additional Subaccounts that may be established for Additional Bonds) as required by the Indenture and the Collateral Agency Agreement. All payments made by the Borrower shall be made free and clear of (and grossed up for) any tax or stamp duty.

(2) The Issuer hereby directs the Borrower and, subject to the Indenture or the Collateral Agency Agreement, as applicable, the Borrower hereby agrees to pay to the Collateral Agent all payments payable by the Borrower in respect of the Series 2016 Loans pursuant to this subsection 4.1(a).

(b) The Borrower also shall pay to the Issuer, in accordance with the terms of the Collateral Agency Agreement, the Issuer's reasonable costs, fees and expenses directly related to the issuance of the Series 2016 Bonds and its enforcement of Reserved Rights, including the reasonable fees and expenses of its counsel.

(c) The Borrower also will pay, in accordance with the terms of the Collateral Agency Agreement, the reasonable fees and expenses of the Trustee and all other amounts which may be payable to the Trustee under the terms of the Indenture or in accordance with any contractual arrangement between the Borrower and the Trustee with respect thereto.

(d) In the event that the Borrower should fail to make any of the payments required in this Section 4.1, the amount so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent and in such amount as provided under the Indenture.

(e) To the extent any moneys have been deposited by the Borrower, or on the Borrower's behalf, pursuant to the Collateral Agency Agreement, into the Series 2016A Tax-Exempt Bond Interest Payment Sub-Account, the Series 2016A Tax-Exempt Bond Principal Payment Sub-Account, the Series 2016B Taxable Bond Interest Payment Sub-Account, and the Series 2016B Taxable Bond Principal Payment Sub-Account or the Series 2016A Tax-Exempt Bond Redemption Sub-Account or the Series 2016B Taxable Bond Redemption Sub-Account in the Senior Bond Payment Account (or any additional Subaccounts that may be established for Additional Bonds) for the purpose of paying interest on and principal of the Series 2016 Bonds when due, the Borrower's payment obligations pursuant to this Section 4.1 with respect to the applicable payment of interest, principal or Redemption Price in respect of such Bonds will be deemed satisfied. If the principal or Redemption Price and interest on the Series 2016 Bonds shall have been paid sufficiently that payment of all Series 2016 Bonds Outstanding shall be deemed to have occurred in accordance with Article VII of the Indenture, then, with respect to the Series 2016 Bonds no longer Outstanding for purposes of the Indenture, the obligations of the Borrower to make payments pursuant to Section 4.1(a) hereof shall be deemed to have been satisfied in full, and the Borrower's obligations under Section 4.1(a) hereof and this Loan Agreement and the Series 2016 Notes shall be discharged.

(f) The Borrower agrees to make such payments to the Collateral Agent and take such other actions as are required of it under the Tax Certificate including any payments to satisfy the Rebate Amount and for any rebate analyst engaged to calculate such Rebate Amount. The obligation of the Borrower to make such payments and to take such other actions shall be absolute and unconditional and shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of this Loan Agreement or the Tax Certificate.

(g) Payments made by the Borrower under this Loan Agreement and the Project Loan Agreement shall be applied to the obligations of the Borrower under such Loan Agreement and the corresponding Series 2016 Note on a *pro rata* basis.

(h) In addition to the amounts payable by the Borrower pursuant to this Section 4.1, Borrower covenants and agrees to repay any and all amounts payable to the Issuer pursuant to any Additional Bonds Loan Agreement Supplement and corresponding Note in accordance with the terms of this Loan Agreement as the same shall be supplemented by such Additional Bonds Loan Agreement Supplement.

#### **Section 4.2 Obligations of Borrower Unconditional.**

The obligations of the Borrower to make the payments required in Section 4.1 hereof and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of (a) any breach by the Issuer or the Trustee of any obligation to the Borrower, whether hereunder or otherwise, or (b) any indebtedness or liability at any time owing to the Borrower by the Issuer or the Trustee. Until such time as the principal of, premium, if any, and interest on all Series 2016 Bonds and any Additional Bonds then Outstanding shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower will not suspend or discontinue any payments provided for in Section 4.1 hereof, and the Borrower (1) will perform and observe all other obligations of the Borrower contained in this Loan Agreement and the Security Documents and (2) will not terminate this Loan Agreement or any of the Security Documents except as permitted in this Loan Agreement or the applicable Security Document, for any cause, or any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or for any failure of the Issuer or the Trustee to comply with any duty, liability or obligation of the Issuer or the Trustee, as applicable, arising out of or connected with this Loan Agreement. Nothing contained in this Section 4.2 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained, and in the event the Issuer should fail to perform any such agreement on its part, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance so long as such action does not abrogate the obligations of the Borrower contained in the first sentence of this Section 4.2.

### **ARTICLE V PREPAYMENT PROVISIONS AND REDEMPTION**

#### **Section 5.1 Prepayment and Redemption.**

The Borrower shall have the option to prepay all or any part of its obligations hereunder at the times and in the amounts as necessary to cause the Issuer to redeem the Series 2016 Bonds in accordance with the terms of the Indenture and the Series 2016 Bonds that may be subject to optional redemption. The Issuer, at the request of the Borrower, if applicable, shall forthwith take all steps (other than the payment of funds necessary to effect such redemption (except with respect to funds provided by the Borrower to the Issuer)) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the Outstanding Series 2016 Bonds, as may be specified by the Borrower and required by the Indenture, on the date established for such redemption. The Series 2016 Bonds and any Additional Bonds shall further be subject to extraordinary redemption and mandatory sinking fund redemption as provided in the Indenture or any Supplemental Indenture authorizing the issuance of Additional Bonds. Upon any such redemption in full and payment of all amounts required by Article VII of the Indenture, this Loan Agreement shall terminate as provided in Section 9.1 hereof.

**ARTICLE VI**  
**SPECIAL COVENANTS OF THE BORROWER**

**Section 6.1 Maintenance of Existence.**

(a) Throughout the term of this Loan Agreement, the Borrower shall maintain (i) its legal existence as a limited liability company, (ii) its good standing and qualification to do business in New York and in every jurisdiction where such qualification is required by applicable Law, and good standing in Delaware and (iii) all material rights, franchises, privileges and consents necessary for the maintenance of its existence.

(b) The Borrower shall not amend or modify its constitution documentation in a manner that is materially adverse to the Secured Parties.

**Section 6.2 Compliance with Lease Agreement and Key Contracts.**

(a) The Borrower shall design, construct and operate and maintain the Project in accordance with the Lease Agreement, and otherwise comply with the Lease Agreement, in all material respects. Upon the occurrence of any event of default under the Lease Agreement the Borrower shall promptly take such actions as may be necessary to timely effect a cure thereof and shall provide to the Issuer a copy of any remedial plan submitted to the Port Authority pursuant to the Lease Agreement contemporaneously with the submission thereof to the Port Authority and shall thereafter keep the Issuer apprised of any acceptance or rejection of such remedial plan by the Port Authority and of the Borrower's efforts to implement such remedial plan. Upon a casualty to or condemnation of all or a portion of the Project, the Borrower shall apply casualty or condemnation proceeds and perform such repairs or replacements as are required under the Lease Agreement and the Collateral Agency Agreement.

(b) The Borrower shall timely observe, perform and comply in all material respects with its obligations under the Key Contracts to which it is a party and shall maintain, preserve and enforce its material rights and privileges under the Key Contracts in a commercially reasonable manner.

**Section 6.3 Required Insurance.**

(a) Article 20 of the Lease Agreement is hereby incorporated herein and the Borrower shall comply with the provisions thereof (and any applicable insurance provisions of the Financing Documents) and shall maintain or cause to be maintained for the benefit of the Collateral Agent the same insurance and endorsements as are required under Article 20 of the Lease Agreement for the benefit of the Port Authority, as such requirements may be waived or modified in accordance with the terms of such Article. Without limiting the foregoing (i) the Borrower shall provide the same notice and evidence of renewal as it provides to the Port Authority and (ii) such insurance policies shall, as applicable, afford to the Collateral Agent the same contractual liability coverage, notice of cancellation rights, waivers of subrogation and non-impairment of coverage rights as they afford to the Port Authority. In addition, the property insurance required under the Lease Agreement shall contain an agreed amount endorsement or a coinsurance waiver and a replacement cost value endorsement without reduction for depreciation.

(b) Within thirty (30) days following the end of each Fiscal Year, the Borrower shall submit to the Collateral Agent a certificate (i) listing all insurance being carried by, or on behalf of, the Borrower and the expiration date of each insurance policy, (ii) certifying that all insurance required to be



maintained pursuant to the Project Documents and the Financing Documents is in full force and effect and that all premiums theretofore due have been fully paid or provided for and (iii) summarizing each event of loss with respect to the Project in such Fiscal Year for which loss proceeds exceed \$5,000,000 (per individual loss) in such Fiscal Year.

(c) The Borrower shall provide to the Issuer summaries or other evidence of its insurance coverage and such insurance policies shall ensure that the Collateral Agent, Trustee, and Issuer are named as additional insureds and loss payees as their interests appear.

#### **Section 6.4 Accounts and Reporting.**

(a) The Borrower shall keep proper records and books of accounts in which complete and correct entries shall be made of its transactions in accordance with GAAP. Such records and books shall, to the extent permitted by Law, be subject to the inspection of the Issuer, the Collateral Agent and the Trustee or their representative upon reasonable notice and at reasonable times during business hours, *provided* that absent the occurrence and continuation of an Event of Default the Borrower shall not be responsible for the cost of any such inspection. The Borrower will permit Issuer, the Collateral Agent and the Trustee, upon prior reasonable notice and at reasonable times, to take copies and extracts from such books, and records, and will from time to time furnish, or cause to be furnished, to Issuer and the Trustee such information and statements as Issuer and the Trustee may reasonably request, all as may be reasonably necessary for the purpose of determining performance or observance by the Borrower of its obligations under this Loan Agreement.

(b) The Borrower shall retain independent auditors of nationally recognized standing to audit its annual financial statements.

(c) The Borrower shall deliver the following information to the Trustee:

(1) (i) as soon as available, but no later than one hundred twenty (120) days following the end of each Fiscal Year of the Borrower, a copy of the audited income statement and balance sheet of the Borrower as of the end of such Fiscal Year, and the related audited statements of operations, changes in member capital and cash flows of the Borrower for such Fiscal Year, certified by an independent public accounting firm of national standing, and including the notes thereto, together with such accounting firm's report and comments on the financial statements; and (ii) as soon as available, but no later than sixty (60) days following the end of the first, second and third quarterly periods of each Fiscal Year of the Borrower, a copy of the unaudited income statement and balance sheet of the Borrower as of the end of such period and the related unaudited statements of operations, changes in member capital, and cash flows of the Borrower for such period, certified by the chief executive officer or chief financial officer of the Borrower as fairly stating in all material respects the financial condition of the Borrower, the results of its operations, and its cash flows for such period;

(2) prior to the Substantial Completion Date, monthly progress reports to be delivered to the Trustee by the twenty-eighth (28th) day of each calendar month for the preceding calendar month, which progress reports shall (i) provide an assessment of the overall construction progress of the D&C Work since the date of the last report (or, with respect to the first such report, Closing Date) and setting forth a reasonable estimate as to the completion date for the applicable D&C Work, and (ii) provide a reasonably detailed description of any material delays

encountered or anticipated in connection with such D&C Work, and a reasonably detailed description of the proposed course of action with respect to such delay;

(3) any written proposal of the Borrower to suspend or abandon the Project which is delivered to the Port Authority (except to the extent the suspension is as a result of an emergency or otherwise permitted under the Lease Agreement);

(4) with respect to the Borrower, details of any litigation, pending or, if actually known, threatened in writing, by or before any arbitrator or Governmental Entity in which the amount involved exceeds \$10,000,000 for a pending litigation, or \$20,000,000 for a litigation threatened in writing, in each case which is not covered by insurance;

(5) notice of the Borrower committing any “event of default” as defined in, or any material breach under, the Lease Agreement, the Leasehold Mortgages, or the Loan Agreements;

(6) no later than thirty (30) days prior to the beginning of each calendar year, the annual operating budget for such calendar year;

(7) a certification of the Borrower, no later than thirty (30) days after any Calculation Date subsequent to the Substantial Completion Date, as to the Senior Debt Service Coverage Ratio as of such Calculation Date and for each future Calculation Date through the Maturity Dates;

(8) the Borrower has actual knowledge of the filing or service of any mechanics lien or other claim that creates a lien upon the Project in an amount in excess of \$5,000,000; and

(9) the receipt of any notice asserting an Event of Default under, or purporting to terminate or suspend performance of, any Key Contract.

(d) The Borrower shall deliver the following information to the Dissemination Agent (as defined pursuant to the Continuing Disclosure Agreement), in an electronic format as prescribed by the MSRB, for delivery to the MSRB’s EMMA system (or such other system as shall be established by the MSRB):

(1) Any information required in paragraph (c) above; and

(2) Any information required to be delivered by the Borrower pursuant to the Continuing Disclosure Agreement with respect to, or otherwise required by, SEC Rule 15c2-12 (as such term is defined pursuant to the Continuing Disclosure Agreement).

**Section 6.5 Project Accounts.**

The Borrower shall establish and maintain each account or sub-account, including the Project Accounts and the Operating Account and other accounts and sub-accounts required from time to time by the Lease Agreement and the Financing Documents to be maintained by the Borrower and the Borrower shall not maintain or permit to be maintained any accounts other than as permitted and contemplated in the Collateral Agency Agreement, the Indenture, the other Financing Documents or the Lease Agreement.

**Section 6.6 Compliance with Laws.**

The Borrower shall obtain on a reasonably timely basis, maintain and comply with, in all material respects, or in the case of such permits as are required to be obtained by third parties, to the extent possible, use reasonable efforts to cause such third parties to obtain and thereafter maintain in full force and effect, all required governmental approvals and applicable Laws except for which failure to comply would not reasonably be expected to have a Material Adverse Effect.

**Section 6.7 Use of Series 2016A Bond Proceeds.**

(a) The net proceeds of the Series 2016A Bonds shall be loaned to the Borrower pursuant to the terms of this Loan Agreement and the Project Loan Agreement. Amounts loaned to the Borrower pursuant to this Loan Agreement shall be used solely to pay Building Loan Costs comprising of eligible Project Costs as specified in the Tax Certificate (or, to the extent not used therefor, to repay the relevant portion of such indebtedness) to the extent required pursuant to the Collateral Agency Agreement.

(b) The Borrower covenants for the benefit of the Issuer and the Owners of the Series 2016A Bonds that it will not take any action or omit to take any action with respect to the Series 2016A Bonds, the proceeds thereof, any other funds of the Borrower or any of the facilities financed with the proceeds of the Series 2016A Bonds if such action or omission (i) would cause the interest on the Series 2016A Bonds to lose its excludability from gross income for federal income tax purposes under Section 103 of the Code or (ii) would cause interest on the Series 2016A Bonds to lose its exemption from income taxation in the State.

(c) The Borrower further covenants, represents and warrants that the procedures set forth in the Tax Certificate implementing the covenant in paragraph (b) above shall be complied with to the extent necessary to comply with the covenant in paragraph (b) above.

(d) The Borrower shall not permit any use of the proceeds of the Series 2016A Bonds which would cause the Series 2016A Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code.

(e) The Borrower shall aid and assist the Issuer in connection with preparing and submitting to the IRS a Form 8038 (or other applicable information reporting statement) at the time and in the form required by the Code; provided that the Borrower will not be responsible for late or non-conforming filings (except to the extent Borrower fails to timely provide information required for such filings).

(f) The Borrower will adopt and implement written tax compliance procedures sufficient (i) to monitor the requirements of Section 148 of the Code and (ii) to ensure that all nonqualified bonds are remediated in accordance with the Code and the regulations thereunder.

(g) Notwithstanding any other provision of this Loan Agreement to the contrary, so long as necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2016A Bonds, the covenants contained in this Section shall survive the payment of the Series 2016A Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Article VII of the Indenture.

**Section 6.8 Further Assurances and Corrective Instruments.**

The Issuer and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intentions of this Loan Agreement and as may be necessary or desirable for establishing, maintaining, assuring, conveying, granting, assigning, securing and confirming the Security Interests (whether now existing or hereafter arising) granted by or on behalf of the Borrower to the Collateral Agent for the benefit of the Secured Parties, pursuant to the Security Documents, or intended so to be granted pursuant to the Security Documents, or which the Borrower may become bound to grant, and the subject of each such Security Interest will comply with the requirements under the Financing Documents and the Borrower's representations and warranties under the Loan Agreements. The Issuer, the Trustee, the Collateral Agent, and their respective successors, assignees and agents are each authorized to file or cause to be filed any financing statements, supplements and further instruments in connection with the foregoing, provided that the Issuer shall have no responsibilities for such filings, other than executing the documents requested by the Borrower. The Issuer's approval shall not be required prior to the release of Security Interests that have been properly discharged.

**Section 6.9 Issuer and Borrower Representations.**

Whenever under the provisions of this Loan Agreement the approval of the Issuer or the Borrower is required or the Issuer or the Borrower is required to take some action at the request of the other party hereto, such approval or such request shall be given for the Issuer by an Issuer Representative and for the Borrower by an Authorized Borrower Representative and the Trustee and/or the Collateral Agent, as applicable, shall be permitted to rely on, and shall be protected in acting upon, such approval.

**Section 6.10 Taxes.**

The Borrower shall timely pay and discharge all Taxes before they become delinquent unless they are being contested in good faith by appropriate proceedings, and the Borrower has provided adequate reserves which are maintained in accordance with GAAP or unless the failure to pay and discharge could not reasonably be expected to have a Material Adverse Effect.

**Section 6.11 Business Activities.**

The Borrower shall not engage in any business other than the demolition of the Demolition Facilities, the development and construction of the New Facilities, the New Improvements, and the Central Hall, the operation and maintenance of the Existing Facilities, New Facilities and the Central Hall, and ancillary business related to the conduct of the Borrower's obligations under the Lease Agreement.

**Section 6.12 Limitations on Fundamental Changes; Sale of Assets, Etc.**

(a) The Borrower covenants not to amend or modify its limited liability company agreement in a manner that is materially adverse to the Bondholders, other than any amendment or modification to permit a transfer of equity interests of the Borrower as permitted pursuant to Article 17 of the Lease or is otherwise acceptable to the Trustee or a majority of Bondholders;

(b) The Borrower covenants not to sell, assign or otherwise transfer all or substantially all of the assets owned or leased by the Borrower and related to the Project (other than the release of the Central Hall in accordance with the Lease Agreement) unless the Borrower, in addition to satisfying the other requirements of the Financing Documents, shall have delivered to the Trustee and the Issuer an opinion of Bond Counsel to the effect that such transaction will not adversely affect the tax-exempt status of the Tax-Exempt Bonds.

(c) The Borrower shall not, except as permitted under the Project Documents and the Financing Documents, enter into any partnership, joint venture, profit-sharing or similar arrangement whereby the Borrower's income or profits are shared with any person (except as may be contemplated by the organizational agreements of the Borrower or the Equity Members) or form or have any subsidiaries.

**Section 6.13 Arm's-Length Transactions.**

The Borrower shall not enter into any material transactions with any Affiliates unless such transaction is fair and commercially reasonable to the Borrower on an arm's length basis and contains terms no less favorable to such entity than those which would be included in an arm's-length transaction with a non-Affiliate; provided that the D&C Contract, the D&C Guarantees, the Management Services Agreement, the Manager Guarantee, the Project Mobilization Agreement, and amounts payable to the Equity Members as consideration for the provision of equity letters of credit (and any amendments or supplements to any of the foregoing) will be deemed not to violate this covenant.

**Section 6.14 Eligible Investments.**

The Borrower shall not make or direct the Trustee or the Collateral Agent to make any investments other than Eligible Investments and under no circumstances shall the Trustee be required to make a determination as to whether an investment is an Eligible Investment.

**Section 6.15 Changes in Name, Place of Business or Fiscal Year.**

The Borrower shall not, at any time:

(a) change its name, jurisdiction of formation, or principal place of business without giving the Collateral Agent, the Issuer and the Trustee at least thirty (30) days prior written notice; or

(b) change its Fiscal Year without prior written notice sent to the Collateral Agent, the Issuer and the Trustee at least thirty (30) days prior to such change.

**Section 6.16 Access to the Project.**

The Borrower shall give the Trustee, the Issuer, and the Collateral Agent and their consultants and representatives access to the Project site, at the sole cost of such Persons, at any reasonable time and as often as may reasonably be requested upon the furnishing of reasonable notice to the Borrower, and in each case during official business hours and in a manner that cannot reasonably be expected to materially interfere with or disrupt the performance by any other party of its obligations with respect to the construction and operation of the Project, and in each case solely to the extent permissible under and in accordance with the terms of the Lease Agreement.

**Section 6.17 Negative Pledge.**

The Borrower shall not permit any lien upon or with respect to the Project or any of the funds established pursuant to the Indenture or the Collateral Agency Agreement, other than Permitted Security Interests.

**Section 6.18 Nationally Recognized Rating Agencies.**

(a) The Borrower shall use commercially reasonable efforts to cooperate with each Nationally Recognized Rating Agency rating the Series 2016 Bonds and, if applicable, any Additional Bonds, in connection with any review which may be undertaken by such Nationally Recognized Rating Agency.

(b) The Borrower shall enter into and comply with a reasonable and customary “ratings surveillance” agreement with at least one Nationally Recognized Rating Agency rating the Series 2016 Bonds and, if applicable, any Additional Bonds.

**Section 6.19 Transfer and Deposit of Funds under the Collateral Agency Agreement.**

The Borrower shall not permit any transfer of funds out of the Performance Fee Account, the Distribution Account or the Second Additional Rent Account unless specifically permitted under the Collateral Agency Agreement. In addition, the Borrower shall deposit Disputed Payment Amounts with respect to payments of airline rates and charges in an escrow account established for the purpose of holding disputed amounts under the Collateral Agency Agreement.

**Section 6.20 Project Revenues.**

All Project Revenues received by the Borrower shall be applied in accordance with the Financing Documents, including as set forth under Articles V and VI of the Collateral Agency Agreement.

**Section 6.21 Status of Entity.**

The Borrower shall use commercially reasonable efforts to maintain its status as a “pass-through” entity for federal income tax purposes.

**Section 6.22 Limitations on Indebtedness.**

The Borrower shall not create, incur or be liable for any Indebtedness, except Additional Bonds and any other Permitted Indebtedness.

**Section 6.23 Public Purpose Covenants.**

(a) The Borrower represents and warrants to the Issuer that the factual information relating to the Borrower set forth in the Official Statement, other than information related to future events, projections, or other future estimates, each of which is subject to change, as of the date of the Official Statement, does not contain any material misstatement or material omission that would make the statements set forth therein misleading. The Borrower understands that all such information has been relied upon as an inducement by the Issuer to issue the Series 2016 Bonds.

(b) The Borrower shall operate or cause the Project to be operated as an authorized project for a purpose and use as provided for under the Act (as in effect on the date hereof) until the expiration or earlier termination of this Loan Agreement.

(c) Within ninety (90) days after the end of each Fiscal Year of the Borrower, the Borrower shall furnish to the Issuer and the Trustee the following:

(1) a certification indicating whether or not the Borrower is aware of any condition, event or act which constitutes an Event of Default, or which would constitute an Event of Default with the giving of notice or passage of time, or both, under any of the Financing Documents; and

(2) a certification indicating the amounts outstanding for the Series 2016 Bonds and any Additional Bonds issued, and the current interest rates related to such Series 2016 Bonds and Additional Bonds issued.

(d) The Borrower will at all times preserve and protect the Project in accordance with the Lease Agreement.

**Section 6.24 Post-Issuance Tax Compliance.**

(a) The Borrower shall follow their tax procedures adopted pursuant to Section 6.7(f) in order to satisfy its Tax Covenants.

(b) If pursuant to the procedures of the Borrower, the Borrower determines that it must take remedial action to cure a violation of a Tax Covenant, it will promptly notify the Issuer and the Trustee as to the action to be taken.

(c) In the event the Issuer becomes aware of a possible violation of a Tax Covenant, the Issuer shall have the right, upon notice to the Borrower, to conduct its own investigation, and at the sole but reasonable cost and expense of the Borrower, to retain Bond Counsel to determine any and all actions required to remediate such violation.

### **Section 6.25 Costs and Expenses.**

All reasonable expenses incurred by the Issuer in connection with the preparation, execution, delivery, recording and filing of the Indenture, this Loan Agreement, the Series 2016 Bonds and any other documents in connection therewith, and in connection with the preparation, issuance and delivery of the Series 2016 Bonds, the Issuer's fees as described in an exhibit hereto, and the reasonable fees and expenses of Bond Counsel shall be paid by the Borrower. The Borrower shall also pay throughout the term of the Series 2016 Bonds and any Additional Bonds the Issuer's reasonable fees and expenses incurred pursuant to the terms of this Loan Agreement and the other Financing Documents.

### **Section 6.26 Rate Covenant for Senior Bonds; Conditions to Issue Subordinate**

**Bonds.** (a) The Borrower covenants and agrees to take all lawful measures to establish, prescribe and collect Project Revenues sufficient to achieve, in each DSCR Calculation Period, a Senior Debt Service Coverage Ratio of 1.25x, both on a prospective basis (based on the Borrower's annual budget) and on a retrospective basis (based on the Borrower's annual audited financial statements); provided, however if the 1.25x requirement is not projected to be met for an upcoming Fiscal Year, the Borrower shall retain an Airport Consultant to recommend revisions to the Borrower's annual budget and, after taking into account such recommendations, revise its annual budget to produce (to the extent practicable using prudent business judgment) sufficient Project Revenues to satisfy such 1.25x requirement.

(b) The failure of the Borrower to satisfy such 1.25x requirement as provided in subsection (a) shall not be deemed an Event of Default under Article VIII hereof unless the Borrower has the reasonable opportunity to implement the Airport Consultant's recommendations (and in any case no less than a year).

(c) Notwithstanding subsection (b) above, if after the Borrower has (to the extent practicable using prudent business judgment) taken the measures to implement the Airport Consultant's recommendations the Senior Debt Service Coverage Ratio remains less than 1.25x (as evidenced by the audit report for such Fiscal Year) there shall be an Event of Default pursuant to Article VIII hereof.

(d) The Borrower covenants and agrees it shall obtain Rating Confirmation prior to the issuance of any Subordinate Bonds.

### **Section 6.27 Continuing Disclosure.**

The Borrower hereby covenants and agrees that it will, as required by Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), enter into and comply with and carry out all of the provisions of a continuing disclosure agreement, including providing an annual report, material event and other periodic information relating to the financial and operating data of the Borrower (including information regarding the Project, if applicable) that is required by the continuing disclosure agreement. Notwithstanding any other provision of this Loan Agreement, failure of the Borrower to comply with such continuing disclosure agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any participating underwriter or the Holders of at least a majority in aggregate principal amount of Outstanding Bonds, shall, upon receipt of reasonable indemnification for its fees and costs acceptable to it), and a majority of Holders may, take such actions as may be necessary and appropriate to seek specific performance by court order to cause the Borrower to comply with its obligations under this Section 6.27.



In order to implement the foregoing, the Borrower covenants that, as long as Series 2016 Bonds remain Outstanding, it will either maintain the Borrower Continuing Disclosure Agreement in effect and comply with the terms thereof, or enter into a similar agreement with the Trustee providing for submission of information to the MSRB substantially the same as that information required to be submitted pursuant to the Borrower Continuing Disclosure Agreement and over similar periods of time, all in compliance with the Rule.

\* \* \*

## **ARTICLE VIII EVENTS OF DEFAULTS AND REMEDIES**

### **Section 8.1 Events of Default.**

Any one or more of the following events shall constitute “Events of Default” under this Loan Agreement:

(a) The Borrower fails to pay any amount required to be paid under Section 4.1(a)(1) hereof and, solely in the case of such failure to pay interest, such failure is not remedied within five (5) Business Days after the applicable due date;

(b) Any representation or warranty made by the Borrower in any Financing Document to which it is a party proves to have been incorrect or misleading in any material respect when made, and a Material Adverse Effect could reasonably be expected to result therefrom unless such misrepresentation is capable of remedy and is remedied within thirty (30) days after the receipt by the Borrower of written notice from the Trustee thereof;

(c) The Borrower fails to comply with any affirmative or negative covenant under the Financing Documents (other than those specified in subsection (a) and (b) of this Section 8.1) to which it is a party, unless such failure is capable of being remedied and is remedied within thirty (30) days after the earlier of (i) written notice specifying such failure shall have been given to the Trustee by the Borrower or (ii) written notice specifying such failure and requesting that it be remedied shall have been given to the Borrower by the Trustee, or such longer period as is reasonably necessary under the circumstances to remedy such failure so long as corrective action is instituted by the Borrower within the applicable thirty (30) day period and is diligently pursued until such failure is corrected and in any event not to exceed one hundred and eighty (180) days without the prior written approval of the Bondholders of at least 50% in the aggregate principal amount of the Bonds then Outstanding;

(d) Any event of default by the Borrower under any of the Key Contracts (as defined in the Lease Agreement) that continues beyond any applicable cure or grace period;

(e) The occurrence of an “Event of Default” by the Borrower under either Leasehold Mortgage that continues beyond any applicable cure or grace period;

(f) The occurrence of an “Event of Default” by the Borrower under and as defined in the Lease Agreement, that continues beyond any applicable cure or grace period;

(g) The occurrence of an “Event of Default” under the Project Loan Agreement that continues beyond any applicable cure or grace period;

(h) Any Financing Document (other than a Security Documents) ceases to be in full force and effect unless such document shall be replaced by a contract on substantially similar terms within thirty (30) days following the earlier of (i) the Borrower's knowledge of such occurrence or (ii) the delivery of written notice thereof to the Borrower by the Collateral Agent and the Trustee, or such longer period, not exceeding one hundred and eighty (180) days, reasonably necessary to effect such replacement;

(i) A judgment against the Borrower for the payment of money in an amount in excess of \$5,000,000, without taking into account any portion of the amount of such judgment that is covered by insurance or for which the Borrower is entitled to indemnification from any third party, if such judgment remains unsatisfied without any procurement of a stay of execution within thirty (30) days; provided, that any such judgment shall not constitute an Event of Default hereunder during the pendency of an appeal thereof, so long as, during such appeal, execution is effectively stayed or the liability for such judgment is adequately covered by insurance or a performance bond;

(j) The Borrower shall fail to maintain its existence as a Delaware limited liability company;

(k) Any Security Documents shall cease (other than as expressly permitted under the Financing Documents) to be effective to grant a perfected Security Interest on any material portion of the Collateral described therein other than as a result of actions or failure to act by the applicable Secured Party, and with the priority purported to be created thereby and such event continues for thirty (30) days after the applicable agent giving notice thereof to the Borrower;

(l) The occurrence of an "Event of Default" that continues beyond any applicable cure or grace period under the Indenture, or any additional financing document governing other Secured Obligations or an "Enforcement Action" under the Collateral Agency Agreement;

(m) Failure of the Borrower to achieve Substantial Completion by the DB Long Stop Deadline (as defined in the D&C Contract); or

(n) The Borrower institutes a proceeding to be adjudicated as bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Borrower or of any substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

## **Section 8.2 Remedies on Event of Default.**

Whenever any Event of Default hereunder shall have occurred and be continuing, the Trustee, or the Issuer with the written consent of the Trustee, have the right to, in conjunction with its available remedies under the Indenture, take one or any combination of the following remedial steps, by notice to the Borrower, the Collateral Agent, and the Port Authority:

(a) Declare that all or any part of any amount outstanding under this Loan Agreement is (1) immediately due and payable, and/or (2) payable on demand by the Trustee, and any such notice shall take effect in accordance with its terms but only if all amounts payable with respect to the Outstanding

Bonds are being accelerated pursuant to the Indenture, or if all of the Outstanding Bonds are being defeased pursuant to Article VII of the Indenture or otherwise paid in full;

(b) Pursuant to the terms of the Collateral Agency Agreement, direct the Collateral Agent to take or cause to be taken any and all actions necessary to implement any available remedies with respect to the Collateral under any of the Security Documents;

(c) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower during regular business hours of the Borrower and following prior reasonable notice; or

(d) Take on behalf of the Owners whatever other action under the Security Documents, at law or in equity, as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement or the rights of the Owners, in each case subject to the terms of the Collateral Agency Agreement.

Any amounts collected pursuant to actions taken under this Section 8.2 and the Security Documents (such action shall be taken in accordance with the terms of the Security Documents) paid to the Trustee shall be applied in accordance with the terms of the Indenture.

Any rights and remedies as are given to the Issuer under this Loan Agreement will also extend to the Owners of the Bonds, and the Trustee, subject to the provisions of the Indenture, will be entitled to the benefit of all covenants and agreements contained in this Loan Agreement, subject to the terms of the Security Documents.

### **Section 8.3 Rescission and Waiver.**

(a) The Issuer shall rescind any acceleration and its consequences immediately after the acceleration of the Bonds has been rescinded in accordance with the Indenture.

(b) The Issuer shall waive any Event of Default immediately after any such Event of Default has been waived in accordance with the Indenture.

(c) The Issuer shall have the right to, but shall be under no obligation to (except with respect to paragraphs (a) and (b) above of this Section 8.3), waive any other Event of Default at any time.

(d) In case of any such waiver or rescission, then and in every such case the Issuer, the Trustee, and the Borrower shall be restored to their former positions and rights, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

### **Section 8.4 No Remedy Exclusive.**

Subject to the provisions of the Indenture governing Trustee remedies, no remedy hereunder 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 Loan Agreement or now or hereafter existing at Law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default 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 Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required by Law or expressly hereunder (or as required under any other Financing Document). Any such rights and remedies as are given to the Issuer hereunder shall also extend to the Owners of the Bonds, and the Trustee and Collateral Agent, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained, subject to the terms of the Security Documents and the Collateral Agency Agreement.

**Section 8.5 Additional Issuer Remedies on Default.**

In addition to the remedies above, if the Borrower commits a breach or threatens to commit a breach of the Reserved Rights, the Issuer shall have the right and remedy, without posting bond or other security, to have such Reserved Rights specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause immediate and irreparable injury to the Issuer and that money damages will not provide an adequate remedy therefor.

**Section 8.6 Agreement to Pay Attorneys' Fees and Expenses.**

Following the occurrence and during the continuance of an Event of Default, if the Issuer shall employ attorneys or incur other expenses for the collection of payments required hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees that it will therefor pay to the Issuer its share of the reasonable fees of such attorneys and such other reasonable, properly invoiced and documented expenses so incurred by the Issuer in connection with the same.

Following the occurrence and during the continuance of an Event of Default, the Trustee may, at the reasonable and documented costs and expense of the Borrower, employ or retain such counsel, accountants, appraisers or other experts or advisors as it may reasonably require for the purpose of determining and discharging its rights and duties hereunder and, in the absence of the Trustee's gross negligence, bad faith or willful misconduct in employing or retaining any such counsel, accountants, appraisers, experts or advisors, may act and rely and shall be protected in acting and relying in good faith on the opinion or advice of or information obtained from any counsel, accountant, appraiser or other expert or advisor, whether retained or employed by the Borrower or by the Trustee, in relation to any matter arising in the administration hereof, and shall not be responsible for any act or omission on the part of any of them. In addition, the Trustee shall not be liable for any acts or omissions of its nominees, correspondents, designees, agents, subagents or subcustodians except to the extent of its gross negligence, bad faith or willful misconduct in nominating or appointing such persons and so long as such persons are permitted to act hereunder.

**Section 8.7 No Additional Waiver Implied by One Waiver.**

In the event any agreement contained in this Loan Agreement should be breached by any party and thereafter waived by another party as permitted hereunder, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**ARTICLE IX  
MISCELLANEOUS**

\* \* \*

**Section 9.7 Applicable Law; Waiver of Jury Trial.** THE EFFECT AND MEANING OF THIS LOAN AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED ACCORDING TO, THE LAWS OF THE STATE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF. EACH OF THE ISSUER AND THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS LOAN AGREEMENT, THE SERIES 2016 NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

\* \* \*

**Section 9.9 Limitation of Liability.**

(a) No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee or agent of the Issuer, the Borrower in his or her individual capacity so long as such person does not act fraudulently, and no such director, officer, employee or agent thereof shall be subject to any liability under this Loan Agreement or with respect to any other action taken by such person provided that they do not act fraudulently.

(b) Except as otherwise expressly set forth in the Financing Documents, the Secured Parties will have full recourse to the Borrower and all of the Borrower's assets and properties for the liabilities and obligations of the Borrower under the Financing Documents, but in no event will any Affiliates of the Borrower, or any officer, director or holder of any interest in the Borrower or any Affiliates of the Borrower, be liable or obligated for such liabilities and obligations of the Borrower.

(c) Notwithstanding anything in paragraph (b) above of this Section 9.9, nothing in said paragraph (b) above shall limit or affect or be construed to limit or affect the obligations and liabilities of any Affiliate of the Borrower (1) arising under any Financing Document to which such Affiliate of the Borrower is a party, or (2) arising from any liability pursuant to any applicable Law for such fraudulent actions, bad faith or willful misconduct of any Affiliate of the Borrower.

**Section 9.10 Issuer Not Liable.** To the extent permitted by law, no recourse shall be had for the enforcement of any obligation, promise or agreement of the Issuer contained herein or in the other Issuer Documents to which the Issuer is a party or for any claim based hereon or thereon or otherwise in respect hereof or thereof against any director, officer, agent, attorney or employee, as such, in his/her individual capacity, past, present or future, of the Issuer or of any successor entity, either directly or through the Issuer or any successor entity whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise. No personal liability whatsoever shall attach to, or be incurred by, any director, officer, agent, attorney or employee as such, past, present or future, of the Issuer or any successor entity, either directly or through the Issuer or any successor entity, under or by reason of any of the obligations, promises or agreements entered into between the Issuer and the Borrower, whether herein contained or to be implied herefrom as being supplemental hereto; and all personal liability of that character against every such director, officer, agent,

attorney and employee is, by the execution of this Loan Agreement and as a condition of, and as part of the consideration for, the execution of this Loan Agreement, expressly waived and released.

Notwithstanding any other provision of this Loan Agreement, the Issuer shall not be liable to the Borrower or the Trustee or any other Person for any failure of the Issuer to take action under this Loan Agreement unless the Issuer (a) is requested in writing by an appropriate Person to take such action, (b) is assured of payment of, or reimbursement for, any reasonable expenses in such action, and (c) is afforded, under the existing circumstances, a reasonable period to take such action. In acting under this Loan Agreement, or in refraining from acting under this Loan Agreement, the Issuer may conclusively rely on the advice of its counsel.

\* \* \*

## Appendix E

### SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

The following is a summary of selected provisions of the Lease Agreement and is not a full statement of the terms and conditions of such agreement. Accordingly, the following summary is qualified in its entirety by reference to the Lease Agreement and is subject to the full text of such agreement. Defined terms used but not defined herein shall have the meaning specified for such term in the Lease Agreement.

#### **Principal Rights and Obligations of the Borrower**

##### ***Concession; Lease***

Pursuant to the Lease Agreement, the Port Authority will grant to the Borrower the exclusive right, subject to the terms and conditions of the Project Documents, to: (i) operate, maintain and demolish the Existing Facilities, (ii) design, construct, finance, operate and maintain the New Facilities, (iii) design and construct the New Improvements at the Airport on behalf of the Port Authority, (iv) design, construct and, prior to any early termination of the Lease Agreement solely with respect to the Central Hall, operate and maintain the Central Hall, (v) charge, collect and retain revenues derived from the operation of the Existing Facilities and the New Facilities (but not of the Central Hall), in each case, in accordance with and subject to the terms and conditions of the Lease Agreement. In addition to the rights and interests granted to the Borrower under the Lease Agreement, the Port Authority will also assign or otherwise transfer to the Borrower certain Assigned Terminal B Facilities Agreements.

Subject to the terms and conditions of the Lease Agreement, the Port Authority will lease the Premises to the Borrower and the Borrower will take the Premises on an “as-is” basis on the commencement date of the Lease Agreement, subject to all easements, encumbrances, restrictions, reservations, covenants and agreements to which the Premises may be subject as of such date. The Port Authority has also agreed to grant to the Borrower the Temporary Rights of Access and Permanent Rights of Access necessary for the Borrower to construct the Construction Project and conduct the Operations and Maintenance Work. The rights granted to the Borrower under the Lease Agreement shall be subject and subordinate to the terms of the City Lease and to any interest superior under the City Lease to that of the Port Authority’s under the City Lease.

The New Improvements, when completed, will not be operated or maintained by the Borrower and will not constitute part of the facilities leased to the Borrower under the Lease Agreement.

##### ***Term; Quiet Enjoyment***

The term of the Lease Agreement commences on the date of execution and delivery of the Lease Agreement and will end on the first to occur of (i) 11:59 pm New York City time on December 30, 2050 or if earlier, upon the termination of the City Lease, and (ii) the earlier termination of the Lease Agreement pursuant to the terms thereof.

The Borrower, so long as it pays all rentals required to be paid by it under the Lease Agreement, and performs all covenants, conditions and provisions of the Lease Agreement on its part to be performed, may peacefully and quietly enjoy the Premises throughout the term of the Lease Agreement, except as otherwise expressly set forth in the Lease Agreement. The Port Authority will defend the Port Authority’s leasehold interest in the Premises and the Airport granted pursuant to the City Lease, and the

leasehold interest granted to the Borrower under the Lease Agreement, against any Person claiming any leasehold interest adverse to the Port Authority or the Borrower in the Premises, or any portion thereof, except where such adverse interest arises as a result of the act or omission by the Borrower or any other Borrower-Related Entity in breach of the provisions of the Lease Agreement or the negligence, willful misconduct or violation of Applicable Law or Applicable Standards by the Borrower or any other Borrower-Related Entity.

### *Use of Premises; Subleases*

The Borrower covenants to use and operate the Premises (other than the Central Hall, the CHRP and the CRWD) as an airline passenger terminal and related purposes and to use and operate the Premises for such related purposes, in accordance with and pursuant to the terms of the Lease Agreement during the term of the Lease Agreement.

Subject to certain uses reserved to the Port Authority and its designees with respect to concessions in accordance with the terms of the Lease Agreement, the Borrower is responsible for subleasing the New Terminal B and the Central Hall to airline, concession and other tenants in accordance with the requirements of: (i) the Lease Agreement; (ii) a comprehensive terminal plan for the operation of the Terminal B Facilities and the Central Hall (to the extent applicable) for passenger air transportation-related uses; and (iii) a comprehensive concessions plan for the development and operation of the concession program for the Terminal B Facilities and the Central Hall. The comprehensive terminal plan and the comprehensive concessions plan must each be approved by the Port Authority prior to the commencement date of the Lease Agreement and must be updated annually during the term of the Lease Agreement. In addition to the annual updates to the comprehensive terminal plan and the comprehensive concessions plan, the Borrower must submit a revised comprehensive terminal plan and revised comprehensive concessions plan solely with respect to the New Terminal B Facilities to the Port Authority for approval prior to Substantial Completion. The comprehensive terminal plan is required to identify the principles and methodologies of the Borrower's airline rates and charges structure and outline other matters relating to the aeronautical users of the Terminal B Facilities. The comprehensive concessions plan is required to define the Borrower's retail concessions program, including the types and designated locations of retail concessions throughout the Terminal B Facilities, rental structures, and similar matters. Subject to the general requirements of the comprehensive terminal plan and the comprehensive concessions plan, as in effect from time to time, the Borrower is entitled to set the levels of all rates and charges for the use of the Terminal B Facilities, except for certain specific uses (which include, but are not limited to, advertising displays, pay telephones, vending machines in public areas, ground transportation reservations and on-Airport baggage carts) that are reserved for control of the Port Authority.

Except as expressly set forth in the Lease Agreement with respect to certain exempt subleases that do not require Port Authority consent, the Borrower is not permitted to sublet or license the Premises (or any portion thereof) or enter into any sublease (or amend, modify or extend any existing sublease) without the prior written consent of the Port Authority. For any sublease to constitute an exempt sublease it must have a term of less than seven years (or five years for any concession sublease with an airport concession disadvantaged business enterprise), be compliant with the requirements of the Lease Agreement and be consistent with the comprehensive terminal plan or comprehensive concessions plan, as applicable, then in effect. In addition, all subleases (including exempt subleases) are required to contain certain required sublease provisions designed to protect the Port Authority's obligations under the City Lease and under regulatory regimes applicable to the Airport.



## **Permitted O&M Expenses; Rental Payments by the Borrower**

### ***Permitted O&M Expenses***

The Borrower will pay Permitted O&M Expenses as and when such amounts become due and payable. The payment of Permitted O&M Expenses will be senior and prior to the payment of any Borrower Debt or any related debt service.

### ***Base Rent***

Pursuant to, and subject to the terms of, the Lease Agreement, the Borrower will pay annual base rent to the Port Authority in the amount of \$15,000,000, which may be adjusted annually in accordance with the terms of the Lease Agreement (the “Base Rent”). The Base Rent is payable by the Borrower in an amount equal to one-twelfth (1/12) of the annual amount (i) in advance on the commencement date of the Lease Agreement and monthly thereafter, until the earlier of (A) December 31, 2019 and (B) the date on which the O&M Period commences, and (ii) in advance on the first day of each calendar month, beginning the earlier of (A) January 1, 2020 or (B) the day immediately following the date on which the O&M Period commenced, to and including the expiry date of the Lease Agreement. Subject to limited conditions specified in the Lease Agreement, the Base Rent is not subject to setoff or reduction.

### ***First Additional Rent***

As a mortgage security fee, the Borrower will pay the Port Authority \$500,000 for each Leasehold Mortgage each calendar year commencing in the calendar year that Substantial Completion occurs, and each subsequent calendar year until all amounts secured by any such Leasehold Mortgage have been repaid in full and such Leasehold Mortgage has been released (the “First Additional Rent”).

### ***Second Additional Rent***

The Lease Agreement provides for the payment of additional rent (the “Second Additional Rent”) by the Borrower to the Port Authority, starting with the first Calculation Date following the End of Funding Date, in all cases subject to the provisions of the Collateral Agency Agreement, including satisfaction of the Restricted Payment Conditions. This Second Additional Rent will consist of (a) a one-time payment of an agreed-upon portion of certain excess revenues and cost savings at the end of construction (calculated following Substantial Completion) and (b) a certain percentage of the Borrower’s net cash flow available after debt service and required reserve deposits, which the Borrower is permitted to distribute pursuant to the eleventh priority in the post-Substantial Completion revenue flow of funds.

## **Design and Construction of the Construction Project**

The Borrower will carry out and complete the D&C Work in accordance with the Lease Agreement, the Requirements and Provisions for Work, the other Project Documents, Applicable Laws, Applicable Standards and governmental approvals. The Borrower is required to achieve Substantial Completion of the Construction Project (other than the Central Hall) by no later than July 8, 2022 (the “Guaranteed Substantial Completion Date”) and Final Acceptance of the entire Construction Project (including the Central Hall) by no later than the later of November 5, 2022 and the date that is three months after the Substantial Completion Date. In addition, the Borrower is required to achieve Substantial Completion of the Construction Project (other than the Central Hall) by a Long Stop Deadline that is 365 days after the Guaranteed Substantial Completion Date, and the failure by the Borrower to do so constitutes an Event of Default entitling the Port Authority to terminate the Lease Agreement without

any cure right of the Borrower, but subject to the rights of a Recognized Mortgagee. Each of these dates may be adjusted only as expressly permitted under the Lease Agreement.

Whenever the Project Baseline Schedule shows any New Facilities Construction Milestone Completion Date(s) occurring after the respective Guaranteed New Facilities Construction Milestone Completion Date(s), or if the Borrower at any time determines that any New Facilities Construction Milestone Completion Date is expected to occur after the applicable Guaranteed New Facilities Construction Milestone Completion Date, the Borrower will, within ten days of the occurrence of any event set forth above, submit to the Port Authority an alternative solutions report that includes a recovery schedule. Such recovery schedule will be subject to Port Authority approval in accordance with the terms of the Lease Agreement and will set forth a reasonably detailed description of the steps which the Borrower intends to take to achieve the affected New Facilities Construction Milestone(s) by the applicable Guaranteed New Facilities Construction Milestone Completion Date(s) or an alternative date or dates. Notwithstanding anything set forth above, no extension of or delay to the Guaranteed Substantial Completion Date will be permitted, except as otherwise expressly provided for in the Lease Agreement. The Borrower will diligently implement each approved recovery schedule and provide to the Port Authority monthly updates thereto and if the Borrower can demonstrate that, despite use of diligent efforts, the Borrower cannot achieve the Guaranteed New Facilities Construction Milestone Completion Date(s) or such alternative date(s) in accordance with the applicable approved recovery schedule, the Borrower will submit to the Port Authority an amended alternative solutions report and recovery schedule for Port Authority approval and will diligently implement such recovery schedule, in each case, in accordance with the terms of the Lease Agreement. If the Borrower fails to achieve any New Facilities Construction Milestone Completion Date by the corresponding Guaranteed New Facilities Construction Milestone Completion Date, the Borrower will promptly and diligently enforce its rights and remedies against the D&C Contractor under the D&C Contract with respect to the payment by the D&C Contractor of delay liquidated damages.

#### ***Notice to Proceed with Design Work***

As of the date of issuance of the Series 2016 Bonds, the Borrower has satisfied all of the following conditions (as set forth more fully in the Lease Agreement) and the Port Authority has issued the Design NTP to the Borrower, authorizing commencement of the Design Work. Notwithstanding the Port Authority's issuance of the Design NTP, any Design Work (other than the Design Work included in the PNTP Work) undertaken prior to the issuance of the Design NTP will be at the Borrower's sole risk and expense. Conditions to the Port Authority's issuance of the Design NTP include:

(i) insurance policies identified in the Lease Agreement as being required during the Construction Period (other than builder's risk insurance) have been obtained and are in full force and effect in accordance with the Lease Agreement and the Borrower has delivered to the Port Authority verification of such insurance coverage;

(ii) the Borrower has, or has caused to be, developed and delivered to the Port Authority and has received Port Authority approval of (A) the preliminary Project Baseline Schedule, (B) the project management and execution plan, (C) the design plan and (D) the design quality control plan;

(iii) the Borrower has satisfied all other requirements of the Project Documents that are required to be satisfied prior to commencement of the Design Work, including delivery to the Port Authority (and receipt, if applicable, of Port Authority approval or addressing comments provided pursuant to Port Authority comment) of all submittals relating to the Design Work

required by the project management and execution plan or the Project Documents, in the form and content required by such project management and execution plan or the Project Documents;

(iv) there exists no court order that restrains, enjoins, challenges or delays performance of the Work;

(v) the Borrower has certified to the Port Authority that all representations and warranties of the Borrower set forth in the Lease Agreement remain true and correct in all material respects (except for such representation and warranties made as of a specified date, which representations and warranties shall remain true and correct as of such specified date); and

(vi) there exists no Event of Default for which the Borrower has received notice from the Port Authority, and the Borrower has certified to the Port Authority that there exists no condition, which with the lapse of time or delivery of notice to the Borrower, or both, would constitute an Event of Default.

***Notice to Proceed with Construction Work***

Except as permitted by the PNTP Agreement, the Borrower will not commence or permit commencement of the Construction Work (i) with respect to any New Facilities Construction Milestone, until the Port Authority's issuance of an individual Construction NTP with respect to that New Facilities Construction Milestone or a Full Construction NTP authorizing the Borrower to commence Construction Work (it being understood that, in the case of a Full Construction NTP, no separate or additional Notice to Proceed shall be required for the commencement of Construction Work with respect to subsequent New Facilities Construction Milestones) or (ii) with respect to a Construction Segment, until the Port Authority's issuance of a Construction Segment NTP in respect of such Construction Segment (it being understood that the commencement of Construction Work with respect to each Construction Segment, if any, shall be required to be separately authorized by the Port Authority's issuance of a Construction Segment NTP for the relevant Construction Segment, except where a Full Construction NTP has been issued). The Port Authority will issue the Full Construction NTP or a Construction Segment NTP, as the case may be, within fifteen days after request by the Borrower; provided that each of the following conditions (as set forth more fully in the Lease Agreement), in addition to the conditions to issuance of the Design NTP, has been satisfied:

(i) the Borrower has, or has caused to be, developed and delivered to the Port Authority and has received Port Authority approval of (A) the Released for Construction Documents, (B) the construction plan, (C) the project plan for safety management, (D) the project plan for security management, (E) the risk management plan, (F) the stormwater pollution prevention plan, (G) the environmental management plan, (H) the construction quality control plan and the witness and hold point program, (I) roadway circulation diagrams and (J) each other submittal required to be submitted to, and approved by, the Port Authority prior to commencement of the Construction Work as described in the Design and Construction Requirements and the other Project Documents, in each case, for the entire Construction Project, the applicable New Facilities Construction Milestone or the applicable Construction Segment, as the case may be;

(ii) all plans, procedures, manuals and reports, including relevant portions of the operations and maintenance manual, for performing Operations and Maintenance Work during the Phased Construction O&M Period have been submitted and, if applicable, approved by the Port Authority as required under the Project Documents;

(iii) all governmental approvals necessary to begin the Construction Work for the entire Construction Project, the applicable New Facilities Construction Milestone or the applicable Construction Segment, as the case may be, have been obtained and the Borrower has furnished to the Port Authority fully executed copies of such governmental approvals;

(iv) the Borrower has satisfied all conditions set forth in applicable governmental approvals for the Construction Work for the entire Construction Project, the applicable New Facilities Construction Milestone or the applicable Construction Segment, as the case may be, that are required to be so satisfied at such time;

(v) builder's risk insurance policies have been obtained and are in full force and effect in accordance with the Lease Agreement and the Borrower has delivered to the Port Authority verification of such insurance coverage;

(vi) the Borrower has satisfied all other requirements of the Project Documents that are required to be satisfied prior to commencement of the Construction Work for the entire Construction Project, the applicable New Facilities Construction Milestone or the applicable Construction Segment, as the case may be; and

(vii) facilities to be provided by the Borrower for the Port Authority's use are operational.

If the Borrower seeks a Construction Segment NTP or an individual Construction NTP for a New Facilities Construction Milestone without first obtaining a Full Construction NTP, it may at any time thereafter seek a Full Construction NTP, subject to satisfying the applicable conditions for the issuance of a Full Construction NTP. If the Borrower seeks a Full Construction NTP, the Port Authority may, as a condition to the issuance thereof, require the Borrower to provide additional information or obtain subsequent approval from the Port Authority with respect to discrete portions of the Construction Work that the Port Authority determines are not adequately addressed in the materials provided in the Borrower's request for a Full Construction NTP.

#### ***Cooperation and Coordination of the D&C Work; Design and Construction Working Group***

The Borrower and the Port Authority will work in a diligent and expeditious manner to actively seek to prevent, avoid and mitigate potential impacts to construction schedules, scope of Work and increased costs of construction for the Construction Project and the Supporting Projects, as well as such impacts on the increased costs of Operations and Maintenance Work. The efforts of the Port Authority and the Borrower under the Lease Agreement may include, as appropriate, providing prompt updates to one another regarding possible changes to construction progress, seeking acceptable work-arounds to construction activities, identifying new or improved areas of coordination involving construction activities, and considering in good faith any proposed changes to the scope of work for the Construction Project and the Supporting Projects, as the case may be. In addition, each of the parties is required to provide prior written notice to the other party as promptly as reasonably possible after becoming aware that an event or a condition has occurred or is likely to occur that could reasonably be expected to have such impacts, including any such event or condition that could reasonably be expected to become a Compensation Event or a Delay Event.

In addition, the Borrower and the Port Authority will, and will exercise Reasonable Efforts to cause their respective contractors to, cooperate with each other, fairly, reasonably and in good faith in all respects in connection with the Construction Project, the Supporting Projects and any other construction or redevelopment activities at the Airport authorized by the Port Authority, and to identify and coordinate

their efforts and interfere as little as possible with each other's design and construction activities being undertaken in connection therewith.

Further, the Borrower and the Port Authority will establish a design and construction working group to review on a regular basis the development of the Construction Project and all drawings, specifications, calculations, reports and other relevant documentation prior to the submission of any submittals to the Port Authority with respect to the D&C Work.

### ***Suspension of D&C Work***

The Port Authority will at any time have the right and authority, in whole or in part, to suspend the D&C Work by written order to the Borrower. Any such written order will be supported by the Port Authority's reasons for the required suspension of the D&C Work.

The Port Authority will not have any liability to the Borrower for any such suspension of the D&C Work in response to: (i) any failure by (A) the Borrower, (B) its equity members, (C) contractors and suppliers, (D) any other persons performing any of the Work for or on behalf of the Borrower, (E) any other persons for whom the Borrower may be legally or contractually responsible and (F) employees, agents, officers, directors, shareholders, managers and members, authorized representatives, consultants, successors, assigns or invitees of any of the foregoing (each a "Borrower-Related Entity") to comply with any Applicable Law, Applicable Standard or governmental approval or to obtain any governmental approval that the Borrower was required to obtain pursuant to the terms of the Lease Agreement; (ii) the existence of conditions unsafe for workers, other personnel or the general public; (iii) a declared emergency issued by the Port Authority police or any Governmental Entity (to the extent not a Force Majeure Event), if caused by a Borrower-Related Entity; (iv) a significant incident involving one or more casualties requiring hospitalization or treatment by a medical professional or one or more fatalities caused by the failure of any Borrower-Related Entity to comply with any Applicable Law or Applicable Standard or any requirements of the Project Documents; (v) the presence of a "VIP," dignitary or other person requiring special security arrangements or expedited handling at the Airport; or (vi) the exercise of any other suspension rights expressly set forth in the Project Documents resulting from any Borrower-Related Entity's failure to comply with any requirements of the Project Documents. Any other suspension order will entitle the Borrower to claim a Compensation Event and Delay Event.

### ***Port Authority Oversight; Inspection of Construction Work***

The Port Authority has the right to enter upon the Premises and the areas subject to the Temporary Rights of Access to conduct oversight, observe the Borrower's performance, provide additional customer-related services to the patrons at the Airport and take any other action that the Port Authority may be entitled or obligated to take under the Lease Agreement or Applicable Law. Such right includes the right of the Port Authority, through its duly authorized representatives, to inspect the Construction Work and the plans and specifications thereof, to take samples and perform testing.

If at any time the Borrower fails to perform any of the Work in any material respect, the Port Authority is entitled to increase its oversight until the Borrower demonstrates that it is capable of performing, and will resume performance of, the Work in compliance with the terms of the Lease Agreement. Prior to any increase in the Port Authority's oversight, the Borrower will have the right to submit a cure plan describing specific actions it will undertake to improve its performance and avoid the need for increased oversight and the Port Authority may accept or reject such cure plan in its sole discretion.

### ***Partial Completion***

Prior to Substantial Completion, the Borrower will not use or permit any portion of the Construction Project to be used by Airport patrons, employees of any sublessee, any service provider and other third parties until a temporary certificate of authorization to occupy or use (“TCAO”) has been issued by the Port Authority for the applicable New Facilities Construction Milestone or Construction Segment. A TCAO for such New Facilities Construction Milestone or Construction Segment will be issued by the Port Authority when each of the following conditions (as set forth more fully in the Lease Agreement) has been satisfied:

(i) all equipment and systems have been installed, commissioned and activated as required for the applicable portion of the construction project in accordance with the Design and Construction Requirements and the TCAP and such applicable portion is otherwise complete for purposes of tenant fit-out in compliance with a phasing plan approved by the Port Authority;

(ii) the Borrower has completed the relevant D&C Work in accordance with the Construction Documents, the Released for Construction Documents and the requirements of the Project Documents, excluding only punch list items;

(iii) all required governmental approvals needed for the normal use, operation and maintenance and/or to commence tenant fit-out (if such fit-out has not commenced as at the date of the request) of the applicable portion of the Construction Project have been received by the Borrower and copies thereof have been provided to the Port Authority, the Borrower has certified that the Borrower has received, and paid all associated fees due and owing for, all applicable governmental approvals required for performing Operations and Maintenance Work associated with such portion of the Construction Project, and has provided accurate and complete copies thereof to the Port Authority, such governmental approvals are final and non-appealable, and there exists no uncured violation of the terms and conditions of any such governmental approval;

(iv) with respect to the applicable portion of the Construction Project, all applicable conditions set forth in Sections 4.3.2.1, 4.3.2.2 and 6.2.2 of the TCAP have been satisfied and the Borrower will be required to cooperate and coordinate its efforts in all respects to facilitate the Port Authority’s inspection of such portion of the Construction Project (including any portion that is otherwise complete for purposes of tenant fit-out) and the Port Authority’s audit review of all compliance related documents in accordance with the TCAP;

(v) all certifications for (A) the relevant parts of the Final Design Documents and (B) all mechanical, electrical, electronics and other systems, in each case, for the applicable portion of the Construction Project have been received in accordance with the requirements of the Project Documents;

(vi) the Borrower has certified that it has completed necessary training of personnel that will be performing the operations and maintenance work associated with the applicable portion of the Construction Project and other necessary personnel and has provided the Port Authority with copies of training records and course completion certificates issued to each of the relevant personnel;

(vii) the Borrower has complied with all other aspects of the Project Documents with respect to completion of the relevant D&C Work;

(viii) all submittals with respect to the relevant portion of the D&C Work that the Borrower is required to submit by the Project Documents have been submitted to the Port Authority and, if required under the Project Documents, approved by the Port Authority;

(ix) with respect to the New Facilities, all plans, procedures, manuals and reports, including applicable portions of the operations and maintenance manual, and other submittals required for performing Operations and Maintenance Work associated with the applicable portion of the Premises during the O&M Period and/or performing tenant fit-out (if such fit-out has not commenced as at the date of the request) have been submitted and, if applicable, approved by the Port Authority as required under the Project Documents;

(x) insurance policies identified in the Lease Agreement as being required for the Operations and Maintenance Work and/or tenant fit-out (if such fit-out has not commenced as at the date of the request) have been obtained and are in full force and effect in accordance with the Lease Agreement with respect to the relevant part of the Premises that will be made available for use by Airport patrons, employees of any sublessee, any service provider and other third parties and the Borrower has delivered to the Port Authority verification of insurance coverage;

(xi) the Borrower has prepared, in consultation with the Port Authority, and submitted the punch list in respect of the applicable portion of the Construction Project in accordance with the procedures and schedules set forth in the project management and execution plan and such punch list has received Port Authority approval; and

(xii) any New Improvements or any portion of the New Improvements that constitutes a Construction Segment that is necessary for the normal use, operation and maintenance of the applicable portion of the Construction Project has been completed and the Borrower has satisfied all applicable conditions to Partial Completion set forth in the Lease Agreement with respect to such New Improvements or Construction Segment, as the case may be.

With respect to a phased occupancy area, a TCAO for such phased occupancy area will be issued by the Port Authority upon the satisfaction by the Borrower of all applicable conditions and requirements set forth in Sections 4.3.2 and 6.2 of the TCAP. In accordance with the requirements of the TCAP, the Borrower's engineer of record or the architect of record has requested a partial inspection of any phased occupancy area and the Borrower will be required to cooperate and coordinate its efforts in all respects to facilitate the Port Authority's inspection of any phased occupancy area and the Port Authority's audit review of all compliance related documents in accordance with the TCAP.

The parties will comply with the notice, submittal and review procedures set forth in the Lease Agreement in the determination of whether Partial Completion has been achieved. During the 30-day period following delivery of the Borrower's written notification that it has satisfied all conditions for Partial Completion, the Port Authority will conduct an inspection of the applicable portion of the Construction Project, a review of the applicable Final Design Documents and Construction Documents (or applicable portions thereof) and such other investigations as may be necessary to evaluate whether Partial Completion of the applicable New Facilities Construction Milestone or Construction Segment has been achieved and will either issue a TCAO or notify the Borrower of the reasons why the conditions to Partial Completion have not been satisfied. If the Port Authority fails to issue a TCAO within such 30-day period and all conditions to issuance of such TCAO have been fully satisfied, and such delay is not a result of a Force Majeure Event with respect to the Port Authority, such delay will constitute a Delay Event and a Compensation Event, and the Borrower will be entitled to Borrower Damages, if any.

Once the Port Authority issues a TCAO with respect to Partial Completion of any New Improvement or any portion of the New Improvements that constitutes a Construction Segment), the Borrower will promptly (i) transfer control of the applicable New Improvement or Construction Segment to the Port Authority for operation and maintenance by the Port Authority and (ii) the Borrower shall have no further obligations with respect to any such New Improvement or Construction Segment (except (A) as required to satisfy the conditions to Final Acceptance and (B) as required by the Lease Agreement with respect to the Borrower's warranty and indemnification obligations).

### ***Substantial Completion***

Substantial Completion of the Construction Project (other than the Central Hall) will have been achieved and a certificate of Substantial Completion (the "Certificate of Substantial Completion") will be issued by the Port Authority when each of the following conditions (as set forth more fully in the Lease Agreement) has been satisfied:

(i) other than punch list items, the Borrower has completed all D&C Work in accordance with the requirements of the Construction Documents, the Released for Construction Documents and the other Project Documents;

(ii) (A) all certifications for the Final Design Documents and all mechanical, electrical, electronics and other systems have been received in accordance with the requirements of the Project Documents (provided, that LEED certification shall not be a condition to Substantial Completion); and (B) inspection reports for the New Facilities have been made in accordance with the requirements of the Project Documents;

(iii) the Borrower has certified that all D&C Work (other than punch list items) has been completed in accordance with the requirements of the Project Documents;

(iv) the Borrower has certified that the Borrower has received, and paid all associated fees due and owing for, all applicable governmental approvals required for performing Operations and Maintenance Work at the New Facilities, and has provided accurate and complete copies thereof to the Port Authority, such governmental approvals are final and non-appealable, and there exist no uncured violation of the terms and conditions of any such governmental approval;

(v) all plans, procedures, manuals and reports, including the operations and maintenance manual, for Operations and Maintenance Work to be performed during the O&M Period, have been submitted and, if required under the Project Documents, have received Port Authority approval;

(vi) all other submittals required to have been provided by the Borrower prior to or on the Substantial Completion Date as set forth in the schedules of submittals, the Requirements and Provisions for Work or the other Project Documents have been submitted and, if required under the Project Documents, approved by the Port Authority;

(vii) the Borrower has prepared, in consultation with the Port Authority, and submitted the punch list in respect of the New Facilities in accordance with the procedures and schedules set forth in the project management and execution plan and such punch list have received Port Authority approval, which punch list includes any remaining items (if any) from the respective punch lists related to the New Facilities Construction Milestones that achieved Partial Completion prior to the date of the Substantial Completion notice;



(viii) all insurance policies identified in the Lease Agreement as being required for the Operations and Maintenance Work, have been obtained and are in full force and effect in accordance with the Lease Agreement, and the Borrower has delivered to the Port Authority verification of insurance coverage;

(ix) the Borrower has certified that it has completed necessary training of personnel that will be performing the Operations and Maintenance Work at the New Facilities and other necessary personnel and has provided the Port Authority with copies of training records and course completion certificates issued to each of the relevant personnel; and

(x) any defects in any portion of the Construction Project, including any Construction Segment or New Facilities Construction Milestone, existing during the applicable warranty period, the repair and rehabilitation of which is the responsibility of the Borrower or its contractors pursuant to the Lease Agreement have been rectified in full, or are in the process of being rectified, in each case, to the Port Authority's satisfaction.

Substantial Completion of the Central Hall will have been achieved and a certificate of Substantial Completion of the Central Hall (the "Certificate of Central Hall Substantial Completion") will be issued by the Port Authority when each of the following conditions (as set forth more fully in the Lease Agreement) has been satisfied:

(i) other than punch list items, the Borrower has completed all D&C Work with respect to the Central Hall in accordance with the requirements of the Construction Documents, the Released for Construction Documents and the other Project Documents;

(ii) all inspection reports with respect to the Central Hall have been made in accordance with the requirements of the Project Documents;

(iii) the Borrower has certified that all D&C Work with respect to the Central Hall (other than punch list items) has been completed in accordance with the requirements of the Project Documents;

(iv) the Borrower has certified that the Borrower has received, and paid all associated fees due and owing for, all applicable governmental approvals required for performing Operations and Maintenance Work at the Central Hall, and has provided accurate and complete copies thereof to the Port Authority, such governmental approvals are final and non-appealable, and there exists no uncured violation of the terms and conditions of any such governmental approval;

(v) all submittals required to have been provided by the Borrower prior to the date of Central Hall Substantial Completion as set forth in the Lease Agreement, the Requirements and Provisions for Work for the Central Hall or the other Project Documents have been submitted and, if required under the Project Documents, approved by the Port Authority;

(vi) the Borrower has prepared, in consultation with the Port Authority, and submitted the punch list with respect to the Central Hall in accordance with the procedures and schedules set forth in the project management and execution plan and such punch list has received Port Authority approval; and

(vii) the Borrower has certified that it has completed necessary training of personnel that will be performing the Operations and Maintenance Work at the Central Hall and has

provided the Port Authority with copies of training records and course completion certificates issued to each of the relevant personnel.

The parties will comply with the notice, submittal and review procedures set forth in the Lease Agreement in the determination of whether Substantial Completion or Central Hall Substantial Completion, as applicable, has been achieved. During the 30-day period following delivery of the Borrower's written notification that it has satisfied all conditions for Substantial Completion or Central Hall Substantial Completion, as applicable, the Port Authority will conduct an inspection of the Construction Project and its components, a review of the applicable Final Design Documents, final Construction Documents, other submittals and reports and such other investigations as may be necessary to evaluate whether Substantial Completion or Central Hall Substantial Completion, as applicable, has been achieved, and will either issue the Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion or notify the Borrower of the reasons why the conditions to Substantial Completion or Central Hall Substantial Completion, as applicable, have not been satisfied. If the Port Authority fails to issue a Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion within such 30-day period and all conditions to issuance of such Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion have been fully satisfied, and such delay is not a result of a Force Majeure Event with respect to the Port Authority, such delay will constitute a Delay Event and a Compensation Event, and the Borrower will be entitled to Borrower Damages, if any.

#### ***Final Acceptance***

Final Acceptance of the entire Construction Project (including the Central Hall) will have been achieved and a certificate of Final Acceptance (the "Certificate of Final Acceptance") will be issued by the Port Authority when each of the following conditions (as set forth more fully in the Lease Agreement) has been satisfied:

(i) all conditions to Substantial Completion and Central Hall Substantial Completion have remained satisfied;

(ii) all punch list items have been completed in accordance with the requirements of the Project Documents;

(iii) the Borrower has certified that it has acquired and properly stored, or arranged for adequate levels of readily available spare parts, resources and equipment necessary for maintenance of the Premises as identified in the capital asset management plan for the O&M Period;

(iv) all submittals for the D&C Work that the Borrower is required by the Project Documents to submit after Substantial Completion or Central Hall Substantial Completion, as applicable, but before Final Acceptance, have been submitted to the Port Authority and, if required under the Project Documents, approved by the Port Authority;

(v) the Port Authority has received a complete set of the Record Documents for the entire Construction Project, including two sets of as-built drawings of the Construction Work in an electronic CADD data file in a format to be designated by the Port Authority, all of which conform to the specifications of the Port Authority in the Project Documents, together with two complete hard copies of such drawings, all engineering reports, engineering analysis, boring logs, survey information, engineering design calculations and the operations and maintenance manual in a comprehensive, coordinated package;

(vi) if any Governmental Entity with jurisdiction requires any form of certification of design, engineering or construction with respect to the Construction Project or any portion thereof, including any certifications from the engineer of record or the architect of record, as applicable, for the Construction Project and certificates of occupancy, the Borrower has concurrently issued identical certificates to the Port Authority;

(vii) subject to clause (viii) below, the Borrower has restored to their original condition any lands provided by the Port Authority for temporary access and other activities not part of the permanent work;

(viii) all aesthetic and landscaping work, with the exception of vegetative ground covering, have been completed and is operational, including aesthetic lighting;

(ix) all demobilization from relevant parts of the Construction Project have been completed, including the removal of temporary work and equipment used in performance of the Construction Work but not required for the Operations and Maintenance Work;

(x) the Borrower has certified to the Port Authority in writing that no overdue amounts owing to any contractor or supplier remain unpaid (except disputed amounts for which the Borrower or the Design-Builder, as applicable, has established adequate reserves);

(xi) subject to the Port Authority's right to withhold amounts sufficient to discharge payment to the Borrower if the Borrower is unable to provide all releases and lien waivers required in connection with the disbursement of Port Authority Funding or to provide a letter of credit or bond that has received Port Authority approval to protect the Port Authority, the Construction Project and the Premises from any and all claims and liens arising out of or in connection with the performance of the D&C Work by the Borrower or any of the contractors, the Borrower has (A) certified to the Port Authority in writing that the Premises are free and clear of all liens or claims arising out of or in connection with the performance of the D&C Work by the Borrower or any of its contractors, and (B) delivered to the Port Authority final lien waivers, in form and substance satisfactory to the Port Authority, from each contractor, other than excepted contractors, as necessary to support the Borrower's certification required by clause (A), or, if the Borrower is unable to obtain all such waivers, a letter of credit or bond that has received Port Authority approval to protect the Port Authority, the Construction Project and the Premises from any and all claims and liens arising out of or in connection with the performance of the D&C Work by the Borrower or any of the contractors;

(xii) all obligations of the Borrower associated with governmental approvals applicable to the Construction Work have been completed, including the payment to any permitting agency of any amounts due pursuant to the terms of or as a result of any breaches of governmental approvals by the Borrower;

(xiii) with respect to any New Facilities Construction Milestone or any Construction Segment that achieved Partial Completion, all conditions set forth in Sections 4.3.2.3 and 6.2.3 of the TCAP have been satisfied and the Port Authority has issued the final certificate of authorization to occupy or use in accordance with such sections of the TCAP; and

(xiv) with respect to the individual concession spaces in the New Facilities intended to be subleased to concession sublessees or airline sublessees (to the extent of any subleases for portions of the New Facilities related to airline passenger services), the fit-out of any such concession spaces in accordance with the initial configuration set forth in the revised

comprehensive concessions plan delivered to the Port Authority that was not completed prior to Substantial Completion or Central Hall Substantial Completion, as applicable, have been completed.

The parties will comply with the notice, submittal and review procedures set forth in the Lease Agreement in the determination of whether Final Acceptance has been achieved. During the 30-day period following delivery of the Borrower's written notification that it has satisfied all conditions for Final Acceptance, the Port Authority will conduct an inspection of the punch list items, a review of the as-built drawings and such other investigations as may be necessary to evaluate whether Final Acceptance has been achieved and will either issue a Certificate of Final Acceptance or notify the Borrower of the reasons why the conditions to Final Acceptance have not been satisfied. If the Port Authority fails to issue a Certificate of Final Acceptance within such 30-day period and all conditions to issuance of such Certificate of Final Acceptance have been fully satisfied, and such delay is not a result of a Force Majeure Event with respect to the Port Authority, such delay will constitute a Delay Event and a Compensation Event, and the Borrower will be entitled to Borrower Damages, if any.

### ***Performance Security***

The Borrower is required under the Lease Agreement to cause the Design-Builder to provide (i) one or more parent guarantees guaranteeing the performance of the Design-Builder's obligations under the Design-Build Contract, and (ii) a letter of credit that may be transferred by the Borrower to the Port Authority as the transferee beneficiary, with rights to draw upon or exercise other remedies thereunder, if the Port Authority succeeds to the position of the Borrower under the Design-Build Contract. In addition, the Lease Agreement provides that to the extent the Borrower or the Collateral Agent obtain any performance security under the O&M Contract, such performance security will name the Port Authority as a permitted assignee or transferee beneficiary (as applicable), with rights to draw upon or exercise other remedies thereunder if the Port Authority succeeds to the position of the Borrower under the O&M Contract.

### ***Design and Construction Warranty***

Under the Lease Agreement, the Borrower warrants that (i) the design of the Construction Project satisfies the requirements of the Lease Agreement, the Requirements and Provisions for Work and the other Project Documents; (ii) all D&C Work (except as described in clause (i)), including materials and equipment furnished as part of construction, are (A) complete and conform to best management practice, (B) new (unless otherwise specified in the Lease Agreement or the Requirements and Provisions for Work), of good quality, in conformance with Applicable Laws, Applicable Standards, the Lease Agreement, the Requirements and Provisions for Work and the other Project Documents and (C) once completed, free of all defects in design, materials and workmanship and fit for its intended purpose; and (iii) the Final Design Documents, final Construction Documents and the Record Documents (A) are accurate and complete, (B) comply with the requirements of the Project Documents and (C) accurately reflect the condition of the Construction Project as of Final Acceptance.

Subject to certain limitations described below, the Borrower is required to provide the warranty with respect to the entire Construction Project (other than the Central Hall) for a period of one year from the issuance of the Certificate of Substantial Completion and, with respect to the Central Hall, for a period of one year from the issuance of the Certificate of Central Hall Substantial Completion. Notwithstanding the foregoing, (i) the warranty with respect to any portion of the D&C Work that is repaired or replaced during either such one-year period will extend for one year from the date of repair or replacement of such portion of the Work, (ii) the warranty with respect to any New Facilities Construction Milestone or any Construction Segment that achieved Partial Completion prior to the Substantial Completion Date will

commence from the issuance by the Port Authority of a TCAO with respect to such New Facilities Construction Milestone or Construction Segment, as applicable, and (iii) the Borrower will not have any warranty obligations with respect to a New Improvement (or portion thereof) once such New Improvement (or portion thereof) is turned over to the Port Authority and the related construction warranties have been assigned to the Port Authority in accordance with the terms of the Lease Agreement.

### ***Defects and Non-Conforming Work***

In the event of the occurrence of a defect in the D&C Work encompassed by the warranty during the applicable warranty period, and including any non-conforming work, the Port Authority is entitled under the Lease Agreement, in addition to any other remedies:

(i) to demand that the Borrower or its contractor rectify such defect or non-conforming work at its sole expense; and

(ii) subject to certain conditions set forth in the Lease Agreement, to rectify such defect itself, or engage a third party to rectify such defect, and to obtain reimbursement equal to 115% of its out-of-pocket costs and expenses paid or incurred by it to rectify such defect (together with late charges), and if the Borrower fails to make such payment to the Port Authority (subject to the other terms and conditions of the Lease Agreement and in addition to all rights and remedies available to the Port Authority under the Project Documents or Applicable Law), to require the Borrower to draw on the Construction Security furnished by the Design-Builder (and the Borrower agrees to make such draw upon the demand of the Port Authority) in the amount payable to the Port Authority and pay the proceeds of such draw over to the Port Authority without deduction.

### ***Hydrant Fueling***

The Port Authority will reimburse the Borrower for capital and operating costs incurred by the Borrower with respect to the New Terminal B hydrant fueling system, until such time as the hydrant fuel system is activated for airline use. From and after such time as the hydrant system is activated for airline use, the annual capital and operating cost of such system recovered through the airline rates and charges will include such capital and operating costs paid by the Port Authority. Subject to the terms of the Lease Agreement, the Port Authority costs would be repaid by direct payment from the Borrower to the Port Authority on a semi-annual basis in the same amounts paid by the airlines for such period, and such repayments will be treated as Permitted O&M Expenses.

### **Operation and Maintenance of the Terminal B Facilities**

Throughout the term of the Lease Agreement, the Borrower will carry out the Operations and Maintenance Work in accordance with best management practice, the Lease Agreement, the Requirements and Provisions for Work, the other Project Documents, Applicable Laws, Applicable Standards and governmental approvals. Additionally, the Borrower will at all times perform the Operations and Maintenance Work to ensure ongoing compliance with (i) the airport performance measurement program established in the Port Authority's customer care standards (and meet or exceed such standards) and (ii) commencing one year following the final date of beneficial occupancy of the New Terminal B, the performance standards and measurement provisions set forth in the Lease Agreement. The Borrower's failure to comply with the performance standards and measurement provisions set forth in the Lease Agreement will entitle the Port Authority to rights and remedies under the Lease Agreement and the other Project Documents, including the assessment of performance penalties in accordance with

the terms of the Lease Agreement and termination for uncured Event of Default (subject to the rights of the Lenders to cure such Event of Default).

The Borrower will not be held responsible for any non-compliance with the operational requirements with respect to the Existing Facilities and such non-compliance shall not constitute a breach of the Lease Agreement or the other Project Documents or be the basis of an Event of Default so long as (i) such non-compliance is not caused by the Borrower or any Borrower-Related Entity and (ii) the Borrower performs the Operations and Maintenance Work with respect to the Existing Facilities and maintains the Existing Facilities in substantially the same condition as existed at the time the Borrower assumed possession and control thereof on the commencement date of the Lease Agreement.

### ***Cooperation with Respect to Transition of Operations***

The Borrower and the Port Authority will cooperate in connection with the transition of operations and maintenance of the Existing Facilities from the Port Authority to the Borrower, including providing reasonable training, technical advice and support to the Borrower's and/or its contractor's employees regarding the use and maintenance of the operating and safety and informational technology systems located therein. The Borrower may request that the Port Authority provide the technical services of Port Authority employees, and in the event of such request, the Borrower will compensate the Port Authority for the provision of the technical services by any Port Authority employee in an amount equal to the Port Authority's documented cost thereof.

### ***Asset Preservation Schedule***

The Borrower will prepare and submit a five-year asset preservation schedule and updates thereto for Port Authority comment as required under the maintenance requirements. The asset preservation schedule will describe planned preventative and predictive maintenance, taking into account known and uncertain parameters and the asset preservation work, including planned routine maintenance.

### ***Annual Budget***

The Borrower will file an annual budget with the Port Authority at least 30 days prior to the start of each year. The annual budget will detail projected Gross Revenues, projected Permitted O&M Expenses (including all amounts payable by the Port Authority), projected net revenues, projected debt service and other amounts payable with respect to Borrower Debt, projected costs of asset preservation work, projected distributions, projected enplaned passengers and such other information reasonably requested by the Port Authority.

### ***Maintenance***

In addition to routine maintenance, the Borrower is required to diligently perform Major Maintenance, repair, reconstruction or replacement of any portion or component of the New Facilities as necessary to maintain compliance with the Lease Agreement and, when applicable, the handback requirements. The Borrower is required to establish and fund a major maintenance reserve fund on or prior to the Substantial Completion Date that may be used to pay the costs of the performance of Major Maintenance. In the event the Borrower fails to complete any Major Maintenance as required in the asset preservation schedule or to provide a work plan acceptable to the Port Authority that sets forth a schedule and specific actions the Borrower will undertake to cure such failure and demonstrates to the Port Authority that such failure can be cured within a reasonable period of time, the Port Authority will be entitled to (i) declare an Event of Default and exercise its rights and remedies under the Lease Agreement (subject to the Lenders' rights to cure such Event of Default and the Lenders' rights in and to the major

maintenance reserve fund) or (ii) to perform such Major Maintenance (or engage third parties to perform such Major Maintenance) at the sole cost of the Borrower. If the Port Authority elects to perform (or engage a third party to perform) such Major Maintenance, the Port Authority will provide the Borrower with an invoice for the reasonable estimated or actual costs of such performance and the Borrower will, or will cause the Lenders, to promptly pay such invoice in full upon drawing on the major maintenance reserve fund (including any Major Maintenance Performance Security, if applicable). If the amounts in the major maintenance reserve fund, together with amounts drawn under any Major Maintenance Performance Security, are insufficient to cure such failure, or if the Borrower is unable to make draws on the major maintenance reserve fund or any Major Maintenance Performance Security for the purpose of paying the Port Authority's invoice, the Port Authority may pay for the costs of such action, in which case the Borrower is required to reimburse the Port Authority in an amount equal to 115% of all out-of-pocket costs and expenses directly paid or incurred by the Port Authority (together with late charges).

### ***Handback Requirements***

Upon the expiration or earlier termination of the Lease Agreement, the Borrower will, among other things, be required to handback the Premises to the Port Authority, at no charge to the Port Authority, in the condition meeting all of the requirements set forth in the Lease Agreement and the maintenance requirements. Prior to the projected expiration date, the Borrower and the Port Authority will jointly perform three pre-handback inspections to jointly determine and verify the condition of the Premises and the residual lives of the assets thereof and revise and update the capital asset management plan. The Borrower is required to perform the necessary maintenance to bring the Premises and related assets up to required conditions and remedy any defects identified by the pre-handback inspections.

Five years prior to the expiration of the Lease Agreement, the Borrower must establish a handback reserve fund for the sole benefit of the Port Authority, which funds are available to the Port Authority commencing on the expiration or earlier termination of the Lease Agreement for a period of two years after such expiration or earlier termination date if any portion of the Premises or any asset thereof does not satisfy the handback requirements specified in the Lease Agreement. Additionally, the handback reserve fund is available to the Port Authority, subject to the rights of the Lenders, upon the occurrence of an Event of Default or early termination of the Lease Agreement as a result of such Event of Default.

## **Central Hall**

### ***Design and Construction of the Central Hall; Central Hall Uses***

The Borrower will develop, design and construct the Central Hall in accordance with the requirements of the Lease Agreement. Any deviation from the Central Hall scope, price or schedule specified in the Lease Agreement will be deemed to be a Port Authority change or a Borrower change, as applicable.

The Central Hall may be used for specified purposes, including use by aeronautical user sublessees solely in connection with airline passenger terminal-related services at the Premises, by concession sublessees solely in connection with retail sales of goods and services at the Premises, and by other sublessees in connection with the operation of conference centers, corporate meeting areas, office space rentals and, in each case, related purposes, and for any other activities for which the Premises are expressly authorized to be used by the Lease Agreement. Subject to modification of the specified Central Hall scope, price and schedule provisions, the Central Hall may be used as a base location for, and may itself be used for the operation and maintenance of a future AirTrain station, an automated people mover

and other public or airline passenger-related transportation facilities and hotel accommodations, among other uses.

No later than 180 days prior to Central Hall Substantial Completion, the Borrower and the Port Authority shall in good faith negotiate, finalize, execute and deliver an amendment to the Lease Agreement setting forth the terms for the use, operation and maintenance of the Central Hall, which will be substantially consistent with the provisions summarized above and, to the extent applicable, with the other provisions of the Lease Agreement.

### ***Operation and Maintenance of the Central Hall***

Prior to any early partial termination of the Lease Agreement solely with respect to the Central Hall, and without limiting any provision of the Lease Agreement addressing the obligations of the Borrower with respect to Operations and Maintenance Work generally, the Borrower will operate and maintain the Central Hall: (i) in accordance with the Central Hall budget, the Central Hall renewal work plan, and the terms and conditions of the Lease Agreement and other applicable Project Documents, and (ii) in compliance with best management practices, the Requirements and Provisions for Work, the other Project Documents, Applicable Laws, Applicable Standards and governmental approvals.

The Port Authority will be responsible for any and all permitted Central Hall operation and maintenance expenses reflected in the approved Central Hall annual budget or otherwise approved in writing by the Port Authority that are incurred by or on behalf of the Borrower in connection with the operation and maintenance of the Central Hall. The Borrower will not be required to expend any of its own funds on the Operations and Maintenance Work in the Central Hall other than in the case of any deficiency arising from the misuse of Port Authority funds designated for permitted Central Hall operation and maintenance expenses.

Prior to Central Hall Substantial Completion and annually thereafter, the Borrower is required to prepare and submit to the Port Authority a Central Hall capital asset management plan and budget for the Central Hall, including a budget setting forth the projected costs of performing renewal work, for review, comment and approval. Subject to any Port Authority changes or Directive Letters, the Borrower will only be required to perform renewal work as set forth in the then-current renewal work plan. Any costs incurred by the Borrower in performing such renewal work will be paid for by the Port Authority in accordance with the terms of the Lease Agreement.

Commencing in the year (or remaining portion of a year) in which the Certificate of Central Hall Substantial Completion is projected to be issued and simultaneously with the delivery of the annual budget for the New Terminal B Facilities, the Borrower will provide to the Port Authority for Port Authority approval, an annual budget for the operation and maintenance of the Central Hall. The annual budget will detail projected revenues, permitted operation and maintenance expenses and projected costs of renewal work, each solely with respect to the Central Hall.

All revenues from the operation of the Central Hall will accrue to the Port Authority and the Borrower will act as agent of the Port Authority for collecting all such revenues. The Borrower's annual management fee for operating and maintaining the Central Hall is equal to 5% of all revenue (without duplication) with respect to the operation of the Central Hall collected by or on behalf of the Borrower as agent of the Port Authority.

Upon the expiration or earlier termination of the Lease Agreement or upon any partial termination of the Lease Agreement solely with respect to the Central Hall, the Borrower will, among other things, be required to handback the Central Hall to the Port Authority, at no charge to the Port Authority. The Port



Authority will have the right to conduct an inspection of the Central Hall's assets in the period beginning 90 days prior to and ending 30 days after, the date of any partial termination, and to issue a report with respect to the condition of the Central Hall's capital assets. If such report identifies defects existing within the applicable warranty period, the provisions of the Lease Agreement will apply and the Borrower will be required to perform the necessary repairs to remedy such defects. If such report identifies defects caused by the Borrower's failure to perform its obligations (including its failure to perform renewal work in accordance with the renewal work plan), the Borrower will, subject to the provisions and limitations set forth in the Lease Agreement, be liable to the Port Authority for damages in the amount of the cost of remedying any such defect.

## **Other Redevelopments**

Pursuant to the Lease Agreement, (1) the Borrower will use Reasonable Efforts to enter into an interface agreement with the Port Authority and Delta Air Lines relating to implementation of the Other Redevelopments, the Work and any Port Authority work activities or other activities at the Airport authorized by the Port Authority, (2) in connection with the Other Redevelopments, Delta Air Lines is expected to submit certain tenant alteration applications to the Port Authority for review and approval, (3) the Port Authority will in good faith consider and take into account any cost, revenue or schedule impacts that any permit issued in connection with the Other Redevelopments may have on the implementation of the Work, (4) the Port Authority will not approve any tenant alteration application if it reasonably believes that the work proposed to be performed by Delta Air Lines or its contractors at the Airport is reasonably likely to materially interfere with the Work performed or to be performed by the Borrower or its contractors in accordance with the NEPA Documents, the approved construction plan or any submittal approved by the Port Authority, or any submittal consistent with the construction plan, the schedule of submittals and the terms of the Lease Agreement that is scheduled or expected to be submitted by the Borrower during the Construction Period, unless the Port Authority and the Borrower have agreed to a change order or the Port Authority has issued a Directive Letter, and (5) subject to receiving a reciprocal waiver, the Borrower is prohibited from making any claims against the Port Authority, Delta Air Lines or any of their contractors for any indirect, incidental or consequential damages of any nature in connection with any damage or disruption in connection with any interference or alleged interference of the Other Redevelopments with the Work; provided, that if the Borrower and the Port Authority agree to a change order or the Port Authority issues a Directive Letter pursuant to the provisions of the Lease Agreement in connection with any interference or alleged interference of the Other Redevelopments with the Work, such change order or Directive Letter, as applicable, represents the sole right to compensation and damages against the Port Authority for the adverse effects of such event of interference or alleged interference.

## **Port Authority Funding**

### ***Port Authority Funding for New Facilities and the Demolition Facilities***

The Port Authority will pay up to \$1,000,000,000 for PFC Eligible Project Costs incurred in connection with the performance of D&C Work for the Demolition Facilities and the New Facilities, in accordance with the PFC Funding Plan. The Borrower will coordinate and cooperate with the Port Authority and (at the request of the Port Authority) the FAA, in the preparation, submission and processing of any PFC Application to the FAA for approval of PFCs to pay such PFC Eligible Project Costs, and shall provide such further information or data required by the Port Authority or the FAA and be available as and when needed, to process, renew, amend, supplement or otherwise modify any such PFC Application. If the Borrower has fully complied with its obligations under the Lease Agreement and the disbursement procedures set forth in the Lease Agreement, the Port Authority will make periodic payments for PFC Eligible Project Costs upon submission of requisitions by the Borrower and approval

by the Port Authority from PFCs or other sources available to the Port Authority, regardless of whether the Port Authority has actually received approval from the FAA with respect to the applicable PFC Application. Funding for this purpose will be deposited by the Port Authority directly into a PAF Account established under the Collateral Agency Agreement.

The disbursement of Port Authority Funding for PFC Eligible Project Costs incurred in connection with the performance of D&C Work for the Demolition Facilities and the New Facilities will be subject to achievement of mutually agreed milestones on semi-annual testing dates. If the Borrower fails to achieve such milestones on two semi-annual testing dates, the Port Authority will be entitled to retain a holdback amount from each distribution of Port Authority Funding requested in subsequent requisitions until the Port Authority either receives a certification from the Borrower that the applicable milestones have been achieved or the date of issuance of a TCAO for the New Terminal B headhouse (the "Headhouse Phase Completion Date"). The holdback amount from each distribution prior to the Headhouse Phase Completion Date will be equal to 50% of the Port Authority Funding requested in the applicable requisition (provided, that the aggregate holdback amount for any holdback period beginning prior to the Headhouse Phase Completion Date shall not exceed 50% of the greatest aggregate Port Authority Funding amounts requested by the Borrower over any previous consecutive six months occurring during the applicable holdback period, or for any period ending less than six months after the beginning of the applicable holdback period, 50% of the aggregate Port Authority Funding amounts requested by the Borrower during such shorter period). The holdback amount from each distribution occurring after the Headhouse Phase Completion Date, shall equal 25% of the Port Authority Funding requested by the Borrower in the applicable requisition (provided, that the aggregate holdback amount for any holdback period occurring after the Headhouse Phase Completion Date shall not exceed the amount, if any, by which the cumulative remaining PFC Eligible Project Costs for elements of PFC Eligible D&C Work with a useful life of greater than 125% of the term of the Lease Agreement (as determined by the appraisal), excluding any elements of the D&C Work related to the Demolition Facilities, to which Port Authority Funding is allocable that may be invoiced through Substantial Completion exceeds the remaining amount of Port Authority Funding that is available to the Construction Project in accordance with the PFC Funding Plan, including any such amounts constituting holdback amounts). The aggregate holdback amounts will be retained by the Port Authority until released into the PAF Account.

#### ***Port Authority Funding for New Improvements and Central Hall***

The Port Authority will make milestone payments to the Borrower for the costs of the D&C Work with respect to the New Improvements and the Central Hall, each in accordance with the applicable milestone schedule. The Borrower will coordinate and cooperate with the Port Authority and (at the request of the Port Authority) the FAA, in the preparation, submission and processing of any PFC Application to the FAA for approval of PFCs to pay such milestone payments with respect to the New Improvements and the Central Hall, as applicable, and shall provide such further information or data required by the Port Authority or the FAA and be available as and when needed, to process, renew, amend, supplement or otherwise modify any such PFC Application. If the Borrower has fully complied with its obligations under the Lease Agreement and the disbursement procedures set forth in the Lease Agreement, the Port Authority will make periodic milestone payments upon submission of requisitions by the Borrower and approval by the Port Authority, regardless of whether the Port Authority has actually received approval from the FAA with respect to the applicable PFC Application.

## **Change Orders and Directives**

### ***Port Authority Changes and Directive Letters***

The Port Authority has the right to propose any change to the Work that the Borrower is required to implement pursuant to a change order and following the procedure set forth in the Lease Agreement. If the Port Authority proposes a Port Authority change, the Borrower will be required to deliver a written description of the projected impact to the Borrower of the proposed Port Authority change, setting forth, among other things, any impact to the Project Baseline Schedule that would result from the proposed Port Authority change (including impact to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and the scheduled Final Acceptance Date, if applicable), any impact to the forecasted costs and revenues in connection with the performance of Operations and Maintenance Work, the scope of Work for any proposed additional or modified work required, and any additional financing which might be required. The Port Authority and the Borrower will negotiate in good faith to agree to the terms of a proposed Port Authority change and upon reaching agreement, the parties will enter into a mutually acceptable change order setting forth, the scope of the additional or modified work and schedule to perform such work (including any adjustments to the Guaranteed New Facilities Construction Milestone Completion Dates, the Guaranteed Substantial Completion Date, the Guaranteed Final Acceptance Date and the Long Stop Deadline), changes and modifications to the other requirements of the Project Documents and compensation and payment terms. If the Port Authority determines not to proceed with a proposed change, the Port Authority will reimburse the Borrower for the reasonable, documented out-of-pocket costs incurred to prepare the impact statement with respect to the proposed Port Authority change.

If the Port Authority and the Borrower are unable to reach an agreement on a proposed Port Authority change, the Port Authority has the right, in its sole discretion, to deliver to the Borrower a Directive Letter directing it to proceed with the implementation of such Port Authority change. Upon receipt of the Directive Letter, the Borrower is required to implement and perform the work in question as directed by the Port Authority and the Borrower is entitled to claim a Delay Event and/or a Compensation Event with respect to such Directive Letter in accordance with the Lease Agreement.

### ***Borrower Changes***

The Borrower has the right to propose a change to the Work to the Port Authority by delivering a change request to the Port Authority, setting forth, among other things, the proposed change in the Work in sufficient detail to enable the Port Authority to evaluate it in full, the reasons for proposing such change in the Work and all information that the Borrower is required to provide in an impact statement in response to a proposed Port Authority change. The Port Authority is required to evaluate the Borrower's change request in good faith and has the option to propose modifications to, or approve or reject the Borrower's proposed change in its sole discretion, except that the Port Authority is not entitled to reject any proposed change that is required to conform to Applicable Law or Applicable Standards.

### ***Airline Requested Changes***

If the Borrower submits a change request during the Construction Period in order to implement a change requested by one or more airline sublessees or any Scheduled Aircraft Operator who is a prospective airline sublessee, the Port Authority shall not withhold its approval thereof so long as the Borrower demonstrates to the Port Authority's reasonable satisfaction that (i) the Port Authority shall not bear any increased costs or any decrease to the Second Additional Rent payable to the Port Authority in each year of the term of the Lease Agreement, in each case, resulting from the implementation of such requested change, (ii) any changes to the methodologies for airline terminal rates shall have been

approved by the Port Authority in accordance with the Lease Agreement and (iii) such change request, if implemented, (A) will comply with the Lease Agreement, the other Project Documents, Applicable Law and Applicable Standards (other than any mutually agreed modifications to the Project Documents necessary to accommodate any change to the scope of the D&C Work or performance thereof), (B) could not reasonably be expected to result in any adverse impact to any aspect of the Work being performed by the Port Authority or its contractors with respect to the Supporting Projects and (C) could not reasonably be expected to adversely impact public health, welfare, safety, noise concerns, sanitation, good order and the economic and efficient operation of the Airport. The Port Authority's approval of any change request submitted to implement an airline requested change requested by a Scheduled Aircraft Operator that is a prospective airline sublessee is conditioned upon the Borrower executing an airline sublease with such prospective airline sublessee in accordance with the terms of the Lease Agreement.

### **Accommodation of Requesting Airlines**

The Lease Agreement contains provisions for a possible accommodation at Terminal B of a Scheduled Aircraft Operator which requests the usage of a gate and related services at Terminal B. Upon such request, the Borrower will use Reasonable Efforts to accommodate such request. If the Borrower fails to reach agreement with such requesting airline for such accommodations, the Borrower will so advise the Port Authority. Thereafter, the Port Authority will make a determination as to whether the Borrower should provide the requested accommodations to such requesting airline, on a reasonable basis taking into consideration various factors (including the requirements and obligations of the Borrower or the Port Authority, as applicable, pursuant to Applicable Law, agreement and otherwise, including as the lessee of the Premises, the operator of the Airport and as an applicant for and recipient of governmental grants, federal airport aid, Passenger Facility Charges and other monies; available opportunities for the requesting airline to enter into an accommodation agreement at terminals not owned or operated by the Borrower; operational considerations of the Port Authority, the Borrower and the Airport; the compatibility of the flights, schedules, flight times, operations, operating practices, and aircraft equipment of the requesting airline with those of the airline sublessees; effects on the efficiency of the airline sublessees' flight operations and their ability to retain their operating authorizations; the availability and then-existing utilization of gates at Terminal B; and the need for labor harmony and compliance with collective bargaining agreements, together with any other factors deemed to be relevant by the Port Authority). In making such determination, the Port Authority will attempt to accommodate such requesting airline by directing it to schedule the arrival or departure time of a flight at a time that is not in conflict with the arrival or departure time of a flight of an airline sublessee. If, after notice from the Port Authority to provide accommodations to a specific requesting airline, the Borrower shall demonstrate, in specific detail satisfactory to the Port Authority, that the operations of such specific requesting airline in Terminal B would cause an airline sublessee to be unable to utilize its operating authorization from a gate at Terminal B and that such an inability would have undesirable effects on the Airport, or would cause labor disharmony, then the Port Authority will rescind such notice to provide such accommodations. Unless the Borrower is able to make such demonstration, it will be required, no later than a date which is 90 days after notice from the Port Authority to provide accommodations, to provide the requested accommodations. The Borrower will use its Reasonable Efforts to enter into an airline sublease with the requesting airline that complies with the applicable terms of the Lease Agreement and is consistent with the comprehensive terminal plan; provided, however, that any failure of the Borrower and the requesting airline to execute such airline sublease will not relieve or release the Borrower from its obligations to provide requested accommodations.

### **Compensation Events**

Subject to certain notice requirements, submission of necessary documentation and other requirements set forth in the Lease Agreement, the occurrence of certain events or conditions during the

term of the Lease Agreement entitle the Borrower to claim monetary compensation from the Port Authority including, the following (in each case, subject to the limitations and other provisions set forth in the Lease Agreement):

(i) any failure by the Port Authority to complete, or cause to be completed, any work carried out in connection with any Supporting Project by the applicable Supporting Project milestone; provided, that no such failure will be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(ii) performance of work at or immediately adjacent to the Premises carried out by the Port Authority or its contractors that materially damages or disrupts the Construction Work so as to materially and adversely impact (notwithstanding the Borrower's Reasonable Efforts to mitigate) the Borrower's cost of performing the Construction Work; provided that, for the avoidance of doubt, none of Delta, any other Scheduled Aircraft Operator and their respective contractors will be considered contractors of the Port Authority for Compensation Event purposes; and provided, further that no such event will be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(iii) any failure by the Port Authority to respond in accordance with the Lease Agreement or the other Project Documents to any submittal subject to Port Authority approval within the time period provided therefor under the schedules of submittals, the Requirements and Provisions for Work, or the Lease Agreement, as applicable; provided, that no such failure will be deemed to have occurred if due in whole or in part to (A) the submission of incomplete or unresponsive documentation by the Borrower for Port Authority approval or (B) review by Governmental Entities required in connection with submittals for Port Authority approval where such review is required and cannot be completed or independently obtained by the Borrower; provided, further, that no such failure will be deemed to be a Compensation Event to the extent it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(iv) any delay or failure by the Port Authority to issue a TCAO with respect to a New Facilities Construction Milestone or Construction Segment, as applicable, a Certificate of Substantial Completion, a Certificate of Central Hall Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth in the Lease Agreement if, in each case, all conditions to issuance of such certificate or Notice to Proceed have been fully satisfied; provided, that no such event will be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(v) any suspension of the D&C Work by the Port Authority that constitutes a Compensation Event pursuant to the Lease Agreement;

(vi) any Directive Letter issued by the Port Authority pursuant to the Lease Agreement;

(vii) any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's Reasonable Efforts to mitigate) the Borrower's cost of performing the D&C Work (other than D&C Work performed with respect to the New Improvements, which is addressed in clause (viii) below); provided, that for the purposes of this clause (vii), Change in Law and Applicable Standards Change will exclude (A) any repeal of, amendment or modification to, or written change in interpretation of, any Applicable Standard or Applicable Law, as the case may be, by the federal government or any agency or political subdivision thereof or by the Port Authority in order to comply with or implement any federal Change in Law or Applicable Standards Change; or (B) any adoption or enactment of any new Applicable Standard or Applicable Law, as the case may be, by the federal government or any agency or political subdivision thereof or by the Port Authority in order to comply with or implement any new federal Applicable Standard or Applicable Law;

(viii) any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's cost of performing the D&C Work with respect to the New Improvements;

(ix) any change by the Port Authority to the General Conditions or the technical requirements taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's cost of performing the D&C Work;

(x) any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impacts the Borrower's performance of the Operations and Maintenance Work in a way that increases operating expenditures or necessitates additional capital expenditures; but in each case, excluding any Discriminatory Change in Law and Discriminatory Applicable Standards Change that may be promulgated or applied from time to time (A) in the interest of public health, (B) in response to an emergency or (C) that is intended to bring the Operations and Maintenance Work into compliance with best management practices so long as applied in a non-discriminatory manner;

(xi) the issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law based on a claim that challenges the Port Authority's authority to enter into the Lease Agreement or the transactions contemplated by the Lease Agreement under New York Unconsolidated Laws Sections 6631-6647, which injunction or order prohibits or enjoins prosecution of the Work for more than 90 consecutive days;

(xii) any failure or delay by the Port Authority to obtain a Port Authority governmental approval it is required to obtain pursuant to the Project Documents, or, with respect to governmental approvals the Borrower is required to obtain pursuant to the Project Documents for which the Borrower has requested information or requires a signature from the Port Authority, any failure or delay by the Port Authority to provide such information or signature, subject to the terms of the Lease Agreement, within the specified time period, or, if no time period is specified, then within a reasonable time period after the request from the Borrower to provide such information or signature; provided, that no such failure or delay will be deemed to be a Compensation Event to the extent it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(xiii) any breach by the Port Authority of any material obligation under the Lease Agreement (to the extent not covered otherwise by any of the other events specified in this section), to the extent the Net Revenue Impact and Net Cost Impact caused by such breach exceed \$10,000,000 per occurrence;

(xiv) the occurrence of certain conditions relating to the Environmental Requirements described in the Lease Agreement for which the Borrower is entitled to recover Incremental Environmental Damages pursuant to the terms of the Lease Agreement;

(xv) the discovery of any Unknown Endangered Species by the Borrower during the carrying out of the Construction Work;

(xvi) the discovery of any Unknown Archaeological Remains by the Borrower during the carrying out of the Construction Work;

(xvii) the discovery of any unknown Utility, tank or tank system by the Borrower during the carrying out of the Construction Work that causes a Net Cost Impact to the Borrower's performance of the Construction Work, to the extent such Net Cost Impact exceeds \$1,000,000 per occurrence or, taken together with all other amounts of Net Cost Impact with respect to previous occurrences of a Compensation Event under this clause (xvii), exceed \$5,000,000 in the aggregate;

(xviii) the discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that causes a Net Cost Impact to the Borrower's performance of the Construction Work, to the extent such Net Cost Impact exceeds \$1,000,000 per occurrence or, taken together with all other amounts of Net Cost Impact with respect to previous occurrences of this Compensation Event under this clause (xviii), exceed \$5,000,000 in the aggregate;

(xix) the issuance by the Port Authority of any Qualifying Safety Compliance Order;  
or

(xx) any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Law that has, or could reasonably be expected to have, a direct, material and adverse impact on the Borrower's performance of the Work;

except, in each case, to the extent arising by reason of or attributable to (A) the negligence or willful misconduct of a Borrower-Related Entity or (B) any act or omission by a Borrower-Related Entity in breach of the provisions of the Lease Agreement or any other Project Document.

If any of the events described in clauses (i) through (iv) and (xii) above are deemed not to be a Compensation Event due to the occurrence of a Force Majeure Event with respect to the Port Authority, the Port Authority and the Borrower will coordinate with each other in good faith to resume the performance relevant to the event as soon as reasonably practicable following the cessation of such Force Majeure Event, with the understanding that the nature of certain Force Majeure Events may preclude or hamper the Port Authority's ability to resume performance immediately, notwithstanding that the Force Majeure Event has ceased.

If, for any reason, the Borrower fails to deliver a written Compensation Event Notice within the time period required by the Lease Agreement, the Borrower will be deemed to have irrevocably and

forever waived and released any claim or right to compensation or other adverse effects on Gross Revenues or on costs, expenses and liabilities attributable to such Compensation Event.

After the Borrower submits a Compensation Event Notice, the Port Authority may, but is not required to, obtain, at its sole cost and expense, (A) from a technical consultant, a comprehensive report as to the Borrower's estimate of the Net Cost Impact attributable to the claimed Compensation Event and/or (B) from a revenue consultant, a revenue study, prepared in accordance with best management practice, analyzing and calculating the estimated Net Revenue Impact attributable to the claimed Compensation Event, if applicable. Without prejudice to the foregoing, the Port Authority may, but is not required to, prepare any such report or study on its own behalf. If it is finally determined in accordance with the terms of the Lease Agreement that the Borrower's estimates of the Net Cost Impact or the Net Revenue Impact are materially incorrect, the Borrower will reimburse the Port Authority for its reasonable costs and expenses in connection with the preparation of any such report or study by the Port Authority or a consultant. Within 90 days after receiving a Compensation Event Notice and the supporting documentation required by the Lease Agreement or such other time period reasonably necessary for the Port Authority to procure the services of one or more consultants and obtain such reports or studies, the Port Authority will provide to the Borrower a copy of any such reports it has elected to obtain or prepare, as the case may be.

The Borrower will conduct all discussions and negotiations with the Port Authority to determine any Borrower Damages and will share with the Port Authority all data, documents and information pertaining to the relevant claimed Compensation Event, and exchange, on an "open book" basis, plans, drawings, configurations and other information related to the claimed Compensation Event, revenue data, information, analyses and studies and financial modeling and quantifications of projected Net Cost Impacts or Net Revenue Impacts, if any.

The Borrower will, and will cause each of its contractors and suppliers to, take all steps reasonably necessary to mitigate the amount of the Borrower Damages attributable to, and other consequences of, such event, including all steps that would generally be taken in accordance with best management practice, including filing a timely claim for insurance and pursuing such claims in accordance with the Lease Agreement. In the event that the Borrower fails to take (or to cause its contractors to take) mitigation measures as required pursuant to the Lease Agreement, the amount of the Borrower Damages will be reduced to the extent that such mitigation measures, if taken, would have reduced the amount of the Borrower Damages.

Pursuant to the terms of the Lease Agreement, if the Port Authority disagrees (A) that a Compensation Event claimed by the Borrower has occurred or (B) with the Borrower's entitlement to or amount of Borrower Damages claimed by the Borrower, the Borrower and the Port Authority will commence good faith negotiations to resolve the dispute within 120 days after the delivery of the Compensation Event Notice; provided, that the Chief Engineer shall retain the authority to resolve any disputes of a technical nature pursuant to the terms of the Lease Agreement within the same 120-day period. If the dispute cannot be resolved within such 120-day period, then either the Port Authority or the Borrower, by written notice to the other party, may terminate the negotiations and submit the dispute for resolution in accordance with the terms of the Lease Agreement (provided, that the period for resolution of the dispute via mediation pursuant to will be reduced to 30 days after the initiation of mediation proceedings solely for this purpose); provided, that the Port Authority will proceed to make payment to the Borrower of the undisputed portion of the Borrower Damages in accordance with the terms of the Lease Agreement without regard to the dispute resolution procedures.

The compensation owed to the Borrower ("Borrower Damages") with respect to any Compensation Event will be calculated based on the sum of (i) any adverse Net Cost Impact and (ii) any



adverse Net Revenue Impact for each year during the term of the Lease Agreement that there is an impact attributable to such Compensation Event. The Borrower's estimated Net Cost Impact or the Net Revenue Impact shall not include any projected impacts to cost of operations and maintenance, or revenues derived from the operation, of the Central Hall and no Net Revenue Impact shall be deemed to apply to any Compensation Event affecting solely the Central Hall and not affecting the rest of the Premises or Construction Work or Operation and Maintenance Work on the Premises generally. Borrower Damages will be net of all applicable insurance proceeds payable to the Borrower, its contractors or suppliers associated with the Compensation Event (or that would have been payable but for the failure to comply with the insurance requirements set forth in the Lease Agreement) and will, subject to certain conditions, include all costs of asserting a claim for such insurance proceeds and any increased insurance premium resulting from such claim. In addition, Borrower Damages will be net of all amounts recovered, or made available to the Borrower or the Port Authority, from any sublessee or other third-party-source. If the Borrower and the Port Authority are unable to agree that a Compensation Event claimed by the Borrower has occurred or with the Borrower's entitlement to or amount of Borrower Damages after the applicable time period has elapsed, then either party, by written notice to the other party, may terminate negotiations and request that the dispute be resolved in accordance with the dispute resolution procedures set forth in the Lease Agreement.

The payment of any Borrower Damages to the Borrower in respect of any Compensation Event that is agreed between the Port Authority and the Borrower or is determined pursuant to the dispute resolution procedures is subject to the prior written approval of the Port Authority's Board of Commissioners if required in accordance with the Port Authority's by-laws, excluding payment required for a final judgment for payment by a court of competent jurisdiction, for which all appeals have expired or been exhausted. Following such approval, the Port Authority will pay Borrower Damages for any Net Cost Impact or Net Revenue Impact attributable to a prior period in lump-sum payment within 40 business days after the final determination thereof, unless previously funded by the Borrower or otherwise agreed by the Borrower. If any portion of Borrower Damages is attributable to future costs or time periods, the Port Authority will have the right to pay the Borrower such portion of Borrower Damages in the form of periodic payments, adjustments to Second Additional Rent or lump-sum payments at such other times and, in each case, subject to the terms and conditions specified in the Lease Agreement.

As a condition to the Port Authority's obligation to compensate the Borrower for any portion of the Borrower Damages, the Borrower is required to execute a full, unconditional, irrevocable release of any claims, losses or other rights to compensation or other monetary relief and remedies associated with such event, except for (i) the claim and right to the subject Borrower Damages and any right to disputed Borrower Damages that has been referred to the dispute resolution procedures, (ii) the Borrower's right to non-monetary relief for a Delay Event and (iii) the right to terminate the Lease Agreement in accordance with the terms of the Lease Agreement and to receive any applicable termination compensation.

Under certain circumstances described in the Lease Agreement, the Port Authority has the option to require the Borrower to use Reasonable Efforts to obtain additional Borrower Debt to fund all or a portion of Borrower Damages payable by the Port Authority (other than any Borrower Damages incurred with respect to the New Improvements). The Borrower will not be obligated to obtain such additional Borrower Debt if the Borrower, in its reasonable discretion, determines that (i) the Borrower cannot obtain such additional Borrower Debt on commercially reasonable terms, (ii) incurring such additional Borrower Debt will diminish the fair market value of the Borrower's interest in the Lease Agreement, or (iii) such additional Borrower Debt, combined with any payments from the Port Authority, will not make funds available in such time and in such amounts as are required to make current payments to third parties as they are due or will become due in respect of any portion of Net Cost Impact included as part of such compensation.

To the extent that Borrower Damages are not payable as part of a Port Authority Termination Sum or an Unamortized Costs Termination Sum, and are not otherwise paid by the Port Authority or funded by the Borrower, the Port Authority and the Borrower may, in lieu of payment of Net Revenue Impact due to the Borrower, mutually agree to extend the term of the Lease Agreement or enter into a similar agreement that permits the use and occupancy of the Premises by the Borrower on terms and conditions satisfactory to the Port Authority and the Borrower, taking into consideration whether such extension would be permitted under the City Lease and Applicable Law and whether prior approval is required by the Port Authority's Board of Commissioners. Neither the Port Authority nor the Borrower is under any obligation whatsoever to agree to extend the term of the Lease Agreement for any reason.

### **Delay Events**

Subject to certain notice requirements, submission of necessary documentation and other requirements set forth in the Lease Agreement, the occurrence of certain events or conditions during the term of the Lease Agreement entitle the Borrower to claim schedule relief from the Port Authority including, the following (in each case, subject to the limitations and other provisions set forth in the Lease Agreement):

(i) the occurrence of any Force Majeure Event with respect to the Borrower or any other Borrower-Related Entity;

(ii) any failure by the Port Authority to complete, or cause to be completed, any work carried out in connection with any Supporting Project by the applicable Supporting Project milestone;

(iii) performance of work at or immediately adjacent to the Premises carried out by the Port Authority or its contractors (or by Delta in respect of the Other Redevelopments), that materially damages or disrupts the Construction Work so as to cause a material delay to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and/or the scheduled Final Acceptance Date set forth in the Project Baseline Schedule;

(iv) any failure by the Port Authority to respond in accordance with the Lease Agreement or the other Project Documents to any submittal subject to Port Authority approval within the time period provided therefor under the schedules of submittals, the Requirements and Provisions for Work, or the terms of the Lease Agreement, as applicable; provided, that no such failure will be deemed to have occurred if due in whole or in part to (A) the submission of incomplete or unresponsive documentation by the Borrower for Port Authority approval, or (B) review by Governmental Entities required in connection with submittals for Port Authority approval where such review is required and cannot be completed or independently obtained by the Borrower;

(v) any delay or failure by the Port Authority to issue a TCAO with respect to a New Facilities Construction Milestone or a Construction Segment, as applicable, a Certificate of Substantial Completion, a Certificate of Central Hall Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth in the Lease Agreement if, in each case, all conditions to issuance of such certificate or Notice to Proceed have been fully satisfied;

(vi) any suspension of the D&C Work by the Port Authority that constitutes a Delay Event pursuant to the Lease Agreement;

(vii) any Directive Letter issued by the Port Authority pursuant to the Lease Agreement;

(viii) any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's performance of the D&C Work;

(ix) any change by the Port Authority to the General Conditions or the technical requirements taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's performance of the D&C Work;

(x) any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impacts the Borrower's performance of the Operations and Maintenance Work; but in each case, excluding any Discriminatory Change in Law and Discriminatory Applicable Standards Change that may be promulgated or applied from time to time (A) in the interest of public health, (B) in response to an emergency or (C) that is intended to bring the Operations and Maintenance Work into compliance with best management practices so long as applied in a non-discriminatory manner;

(xi) any failure or delay by the Port Authority to obtain a Port Authority governmental approval it is required to obtain pursuant to the Project Documents, or, with respect to governmental approvals the Borrower is required to obtain pursuant to the Project Documents but for which the Borrower has requested information or requires a signature from the Port Authority, any failure or delay by the Port Authority to provide such information or signature, subject to the terms of the Lease Agreement, within the specified time period, or, if no time period is specified, then within a reasonable time period after the request from the Borrower to provide such information or signature;

(xii) any breach by the Port Authority of any material obligation under the Lease Agreement (to the extent not covered otherwise by any of the other events specified in this section);

(xiii) the issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law based on a claim that challenges the Port Authority's authority to enter into the Lease Agreement or the transactions contemplated by the Lease Agreement under New York Unconsolidated Laws Sections 6631-6647, which injunction or order prohibits or enjoins prosecution of the Work;

(xiv) the occurrence of certain conditions relating to the Environmental Requirements described in the Lease Agreement for which the Borrower is entitled to schedule relief pursuant to the terms of the Lease Agreement;

(xv) the discovery of any Unknown Endangered Species by the Borrower during the carrying out of the Construction Work;

(xvi) the discovery of any Unknown Archaeological Remains by the Borrower during the carrying out of the Construction Work;

(xvii) the discovery of any unknown Utility, tank or tank system by the Borrower during the carrying out of the Construction Work that adversely impacts the Borrower's performance of the Construction Work;

(xviii) the discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that adversely impacts the Borrower's performance of the Construction Work;

(xix) the issuance by the Port Authority of any Qualifying Safety Compliance Order;

(xix) the issuance of a decision or determination by the Chief Engineer pursuant to the Lease Agreement in connection with a dispute involving a purely technical or engineering matter;

(xxi) any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Law that has, or could reasonably be expected to have, a direct, material and adverse impact on the Borrower's performance of the Work; or

(xix) any Borrower change request approved by the Port Authority that implements an airline requested change pursuant to the Lease Agreement;

except, in each case, to the extent arising by reason of or attributable to (A) the negligence or willful misconduct of a Borrower-Related Entity or (B) any act or omission by a Borrower-Related Entity in breach of the provisions of the Lease Agreement or any other Project Document.

If for any reason the Borrower fails to deliver a written Delay Event Notice within the time period required by the Lease Agreement, the Borrower will be deemed to have irrevocably and forever waived and released any claim or right to time extensions or any other relief attributable to such Delay Event. As a condition to the Port Authority's obligation to extend any schedule relief, the Borrower is required to execute a full, unconditional, irrevocable release of any claims and other rights to relief and remedies associated with such event, except for (i) the claim and right to the subject relief, (ii) the Borrower's right to claim monetary relief for a Compensation Event and (iii) the right to terminate the Lease Agreement in accordance with the terms of the Lease Agreement and to receive any applicable termination compensation.

The Borrower will, and will cause each of its contractors and suppliers to, take all steps reasonably necessary to mitigate the effects of such event, including all steps that would generally be taken in accordance with best management practice. The Borrower will promptly deliver to the Port Authority an explanation of the measures being undertaken to mitigate the delay and other consequences of such event. The Borrower will notify the Port Authority within fifteen days following the date on which it first became aware (or should have become aware, using all reasonable due diligence) that such event has ceased. In the event that the Borrower fails to take (or to cause its contractors to take) mitigation measures as required pursuant to the Lease Agreement, the delay and excuse of performance permitted under the Lease Agreement shall be reduced to the extent that such mitigation measures, if taken, would have reduced the impact of such event on the Borrower.

Notwithstanding the occurrence of an event that is or may be a Delay Event, the Borrower is required to continue its performance and observance of all of its obligations and covenants to be performed to the extent that it is reasonably able to do so and will use its Reasonable Efforts, and will cause its contractors and suppliers to use Reasonable Efforts, to minimize the effect and duration of the Delay Event. The occurrence of a Delay Event does not excuse the Borrower from timely payment of

monetary obligations pursuant to the Lease Agreement or compliance with Applicable Law, Applicable Standards, the Requirements and Provisions for Work, and the other Project Documents, except for temporary inability to comply as a direct result of the Delay Event.

Subject to certain restrictions set forth in the Lease Agreement and the Borrower giving the Delay Event Notice required in the Lease Agreement, a Delay Event will excuse the Borrower from whatever performance is prevented or delayed by the Delay Event referred to in such notice to the extent set forth in the Lease Agreement.

Subject to the limitations set forth in the Lease Agreement, a Delay Event that is agreed between the Port Authority and the Borrower occurring during the Construction Period affecting the performance of the D&C Work will excuse the Borrower from performance of its obligations to perform the D&C Work but only to the extent that such D&C Work is directly affected by such Delay Event. In addition, during the Construction Period, extensions of any Guaranteed New Facilities Construction Milestone Completion Date, the Guaranteed Substantial Completion Date, the Guaranteed Final Acceptance Date and/or the Long Stop Deadline, as applicable, for Delay Events directly affecting the D&C Work will be made based on a time impact analysis, using the then-effective Project Baseline Schedule and taking into account impacts of the Delay Events on critical path items, in accordance with the Requirements and Provisions for Work, and will extend the Guaranteed New Facilities Construction Milestone Completion Date(s), the Guaranteed Substantial Completion Date, the Guaranteed Final Acceptance Date and the Long Stop Deadline, as may be applicable, but only to the extent that the Delay Event actually delays the performance of the D&C Work beyond such date or deadline; provided, that, with respect to any Delay Event occurring during the Construction Period which solely affects the Central Hall and does not affect the rest of the Premises or D&C Work on the Premises generally, extension of the Guaranteed Final Acceptance Date will be permitted, to the extent that such Delay Event actually delays performance of the D&C Work beyond such date or deadline, but no extensions will be permitted with respect to any Guaranteed New Facilities Construction Milestone Completion Date, the Guaranteed Substantial Completion Date and/or the Long Stop Deadline in connection with such Delay Event.

If the Port Authority and the Borrower (i) cannot agree on the extent of any delay incurred or relief from the Borrower's obligations under the Lease Agreement, or (ii) the Port Authority disagrees that a claimed Delay Event has occurred (or as to its consequences) or that the Borrower is entitled to relief under the Lease Agreement, the Port Authority and the Borrower will resolve the matter in accordance with the dispute resolution procedures in the Lease Agreement.

### **Compliance with Law; Governmental Approvals**

The Borrower is required to comply with all Applicable Laws and Applicable Standards, including all applicable environmental laws and FAA orders, statements of policy, advisory circulars and other FAA issuances. Except as otherwise provided in the Lease Agreement with respect to certain governmental approvals obtained by the Port Authority, the Borrower is responsible for obtaining and maintaining in full force and effect all required governmental approvals required in connection with the performance of its obligations under the Project Documents. With respect to governmental approvals obtained by the Port Authority, which are set forth in more detail in the Lease Agreement, the Borrower is responsible for obtaining amendments or modifications to such governmental approvals obtained by the Port Authority necessary to reflect the requirements for the Construction Work and the Operations and Maintenance Work based on the Borrower's final design or means and methods should the final design deviate from the basis upon which the governmental approvals obtained by the Port Authority were initially granted by the applicable Governmental Entity. In the event that any amendments or modifications are not permitted by the Governmental Entity, the Borrower is responsible, at its own risk of delay and cost, for revising the final design or means and methods as necessary to satisfy the

requirements and conditions of the original governmental approvals obtained by the Port Authority or the amendment or modification to such governmental approval as issued by such governmental authority. The Borrower is required to perform its obligations under the Lease Agreement in compliance with all governmental approvals at all times.

The Port Authority is required to cooperate with the Borrower in connection with the application by the Borrower for governmental approvals and upon reasonable request of the Borrower will take certain additional actions (such as the execution of certain documents and attending meetings or making applications in the name of the Port Authority) at the Borrower's cost.

The Borrower is obligated to comply, and to cause Borrower-Related Entities, sublessees and their respective guests and invitees to comply, with the rules, regulations, policies, standards, practices and guidelines issued or published by the Port Authority with respect to the conduct and operations of the Borrower and others at the Airport (including with respect to the use of certain public aircraft facilities provided and maintained by the Port Authority at the Airport for public or common use), as such rules and regulations may from time to time be promulgated by the Port Authority. In addition, the Borrower is obligated to comply, and to cause its contractors, suppliers and sublessees to comply, with any bulletin, directive or other official instruction issued by the General Manager from time to time, it being understood that a General Manager directive or instruction would apply comparably to the Borrower as to other operators at the Airport; provided that an Event of Default under the Lease Agreement will be deemed not to occur if, in complying with a General Manager directive or instruction, the Borrower is compelled to commit a breach of the terms of the Lease Agreement or any Applicable Law or Applicable Standard. Generally, the Borrower is not entitled to claim a Compensation Event or a Delay Event for any impacts incurred in connection with the Borrower's compliance with a General Manager directive or instruction.

### **Prevailing Wage; Living Wage; Labor Harmony**

The Borrower will comply with the Port Authority's prevailing wage and living wage policies, as they may be modified from time to time. The Borrower will be responsible and liable for all labor relations matters of contractor employees relating to the Work and will use Reasonable Efforts to maintain harmony among any unions and other personnel employed in connection with the Work, and avoid strikes, boycotts, work stoppages and other labor troubles. If any strike or labor activity is directed against the Borrower or its operations that results in picketing or boycott for a period of at least 48 hours, which the Port Authority believes will likely adversely affect operations at the Airport, the Port Authority will have the right to take all available legal remedies to end the strike or other labor activity.

### **Key Contracts**

The Lease Agreement obligates the Borrower to preserve its rights and perform its obligations under, and observe all of the provisions of, the Key Contracts. Without the Port Authority's prior written consent, the Borrower will not have the right to enter into a Key Contract, terminate or replace any Key Contract (other than in the exercise of its rights thereunder in respect of uncured defaults by the counterparty to such Key Contract, or upon a change in Applicable Law that renders part of the Key Contract null and void), or amend any Key Contract in any material respect (other than to the extent required to comply with any amendment of the Lease Agreement). The Borrower is solely responsible for paying each contractor and supplier under any contract of the Borrower for the performance of the Work and for paying its contractors' invoices within twenty days following receipt of corresponding payments from the Port Authority (subject to certain exceptions) and for ensuring that all lower-tier contracts have corresponding payment requirements. The Lease Agreement specifies a number of mandatory provisions to be included in each Key Contract, including compliance with Applicable Law, a

standard of professional responsibility, the right of the Port Authority to the contractors' remaining warranties and guaranties, the conditions to the contractor's right to terminate or suspend such Key Contract, restrictions on the contractor's right to assign such Key Contract, intellectual property rights and licenses, a requirement for the contractor to participate in meetings between the Borrower and the Port Authority and dispute resolution proceedings, agreement to the Port Authority step-in rights, the Port Authority's status as third party beneficiary of the contractor's representations and warranties, reporting and record keeping provisions, indemnification of the Port Authority Indemnified Parties, waiver of liens against the Work or Premises, termination of the Key Contract upon termination of the Lease Agreement, and prohibition of amendment of such mandatory provisions without the prior written consent of the Port Authority. The Borrower is restricted from entering into a Key Contract with certain Persons (such as an affiliate of the Borrower, or a debarred Person and its affiliates).

The Port Authority has an approval right for any proposed replacement of the Design-Builder or a Concessions Manager, based upon a determination by the Port Authority in accordance with the criteria set forth in the Lease Agreement (which includes factors such as the proposed contractor's financial strength, experience in the relevant field, its background, reputation and integrity, and satisfaction by such contractor of any additional reasonable conditions imposed by the Port Authority). The Port Authority will also have the right to approve the terms of the contract with such replacement contractor or manager, such approval not to be unreasonably withheld if such contract is substantially similar to, and provides no less protection to the Borrower than, the contract being replaced.

### **Terminal Security**

The Borrower and the Port Authority will have agreed to a security program for the Premises, which will describe security and law enforcement requirements to be performed by the Borrower throughout the term of the Lease Agreement. The security program will comply with applicable federal regulations as though the Borrower were a regulated party under an exclusive area agreement. The Port Authority will amend its airport-wide security program and submit such amended program for approval by the TSA. The Port Authority will continue to have responsibility as the airport operator under the airport-wide security program and the Port Authority will designate the Borrower as its security agent for implementing security in the Premises in accordance with the security program. The Port Authority will have the right at any time, from time to time, to enter upon the Premises and to take over the operation and implementation of the security program, with or without cause; provided that the Port Authority will use Reasonable Efforts to minimize the impact of any disruption to the Work or the use or occupancy of the Premises.

### **Environmental Liability**

Under the Lease Agreement, the Borrower is generally responsible for the Work in compliance with Environmental Requirements throughout the term of the Lease Agreement and the Port Authority is generally responsible for environmental conditions on the Premises arising during the period prior to the commencement date of the Lease Agreement.

The Borrower is required to, among other things, (i) prepare an environmental management plan setting forth the design and construction requirements, operational procedures, documentation and other information required to ensure compliance with Environmental Requirements throughout the term of the Lease Agreement; (ii) identify and obtain, or cause its sublessees or Borrower-Related Entities to obtain, any governmental approvals required under environmental laws throughout the term; (iii) assume responsibility for the performance of and breaches of the Borrower's obligations and responsibilities by all Borrower-Related Entities, sublessees and other persons using space within the Premises or the areas subject to the temporary rights of access; (iv) prepare certain environmental plans in accordance with the

Environmental Requirements in the Lease Agreement (including, without limitation, with respect to spill prevention, control and countermeasures, stormwater pollution prevention, erosion control, health and safety and indoor air quality management); and (v) prepare environmental notices, submittals and reports. The Borrower is also required to design and operate the Premises to achieve LEED Silver Certification, and obtain as many additional credits for LEED Gold Certification as are reasonably obtainable.

The Borrower is responsible for the handling, sampling, evaluation, characterization, disclosure, storage, transport and disposal in compliance with all Environmental Requirements of all waste materials used, handled, disturbed or generated within the Premises and the Temporary Rights of Access during the term of the Lease Agreement. During the performance of the Work and any subsequent demolition, excavation or construction as part of Major Maintenance or routine maintenance during the term of the Lease Agreement, the Borrower is responsible for proper storage, sampling, classification, handling and disposal of all Excavated Materials and Demolition Debris, including lead-containing materials, asbestos-containing materials and hazardous wastes. Materials being disposed of off-site must be sent to Approved Disposal Locations. The Borrower is required to pump, store and treat groundwater encountered during excavation to the extent necessary to comply with the Airport's storm water discharge permit. The Borrower is also required to notify the Port Authority if it identifies a Hazardous Environmental Condition during the Construction Work that may require Remedial Action on the basis of odors, visual observation or other information, and to conduct Remedial Action with respect to such condition, subject to certain cost recovery rights and schedule relief, if the Port Authority directs the Borrower to conduct such Remedial Action. Remediation of Hazardous Environmental Conditions present on, in or under the Premises or the Temporary Rights of Access on or prior to the commencement date of the Lease Agreement that are outside of the areas to be excavated during the Construction Work are the Port Authority's responsibility.

The Borrower is generally responsible for all costs, losses, liabilities, damages and operational requirements arising under or with respect to the compliance with the Environmental Requirements throughout the term of the Lease Agreement. The Borrower's liability is subject to certain exclusions, risk re-allocation and remedies. The Borrower is not responsible for Remedial Action or environmental liabilities arising from (i) a Hazardous Materials Release occurring or existing outside of the Premises and the Temporary Rights of Access on or prior to the commencement date of the Lease Agreement; (ii) Area-Wide Contamination as to which the Port Authority has assumed responsibility for Remedial Action pursuant to the Lease Agreement; (iii) third-party claims relating to environmental liability arising from events occurring or existing prior to the commencement date of the Lease Agreement; (iv) fines and penalties imposed by any Governmental Entity with respect to violations of Environmental Law based on facts, circumstances or events existing or occurring prior to the commencement date of the Lease Agreement (unless imposed as a result of the Borrower's or any occupant's failure to comply with obligations under the Lease Agreement); (v) Hazardous Material that migrates onto the Premises or the Temporary Rights of Access for reasons other than an act or omission of the Borrower or any Borrower-Related Entity; (vi) the presence at Approved Disposal Locations of pre-existing Hazardous Materials disposed of by the Borrower during the Construction Work in compliance with the Lease Agreement; and (vii) Remedial Action requirements to the extent arising out of any Hazardous Materials Release existing on additional land at the time such additional land was added to the Premises or to the Temporary Rights of Access by any Port Authority change or Directive Letter. In addition, the Borrower has the right to make a claim for compensation and delay if, without the negligence or culpable act or omission of the Borrower or any occupant, it incurs Incremental Environmental Damages in connection with (i) unknown Hazardous Materials required to be managed as part of the Construction Work; (ii) previously undisclosed RCRA-classified hazardous wastes required to be managed as part of the Construction Work; (iii) Remedial Action that the Borrower is required to perform by a Governmental Entity with respect to pre-existing Hazardous Materials outside the Excavation Zone, or that arise from an Excluded Liability (including those obligations excluded from the Borrower's environmental obligations pursuant to the



Lease Agreement); (iv) the stoppage of Work or modification of Work as directed by the Port Authority with respect to certain remediation obligations, (v) certain Remedial Action required or otherwise approved by the Port Authority to be performed by the Borrower under the Lease Agreement, and (vi) the discovery, management and removal of previously undisclosed tanks or tank systems that are required to be removed in order to perform the Construction Work or are directed to be removed by the Port Authority.

## **Restrictions on Assignments and Terminal Operator Change in Control**

### ***Restrictions on Assignments***

The Lease Agreement generally prohibits any assignment of the Borrower's interest in the Lease Agreement or the leasehold interest created thereby and any change in control of the Borrower, in each case, unless the Port Authority has provided its prior written consent, in its sole discretion.

Prior to the first anniversary of the Substantial Completion Date, any proposed assignment of direct or indirect ownership interests in the Borrower by or among the equity members of the Borrower (other than by the Terminal Operator Member) or any subsidiary thereof are prohibited without the prior consent of the Port Authority, in its sole discretion. After the first anniversary of the Substantial Completion date, the Port Authority may withhold its consent to a proposed assignment of direct or indirect ownership interests in the Borrower by or among the equity members of the Borrower (other than the Terminal Operator Member) or any subsidiary thereof or any other transfer or assignment that results in a Borrower change in control based upon certain reasonable determinations made by the Port Authority, including, but not limited to, the financial strength, integrity and capitalization of the proposed transferee and the qualifications and experience of the Borrower and its contractors after consummation of the proposed transfer or assignment.

With limited exceptions, upon any assignment of direct or indirect ownership interests in the Borrower by any equity member of the Borrower, the Borrower will be obligated to pay, or cause the transferor to pay, to the Port Authority an amount equal to 15% of any excess equity gain resulting from such assignment.

### ***Restrictions on Terminal Operator Change in Control***

In connection with the Operations and Maintenance Work, the Borrower will rely on the expertise and personnel of a Qualified Terminal Operator, pursuant to any of the following arrangements or a combination thereof:

(i) one of the equity members of the Borrower will be a Qualified Terminal Operator (the "Terminal Operator Member"), in which case the Borrower may enter into a contract with the Terminal Operator Member, under which the Terminal Operator Member, as Terminal Operator, provides the Borrower with specified services and support relating to the Operations and Maintenance Work (an "O&M Contract");

(ii) an Affiliate under common control with the Terminal Operator Member will also be a Qualified Terminal Operator (an "Affiliate QTO"), in which case the Borrower will enter into an O&M Contract with such Affiliate QTO as Terminal Operator on terms approved by the Port Authority;

(iii) the Borrower will enter into and maintain an O&M Contract, on terms approved by the Port Authority, with a third-party Terminal Operator (i.e., a party other than the Terminal

Operator Member or an Affiliate QTO) who is a Qualified Terminal Operator and who undertakes to perform substantially all of the Operations and Maintenance Work; or

(iv) the Borrower qualifies as a Qualified Terminal Operator and will self-perform the Operations and Maintenance Work without reliance on a Terminal Operator Member or an affiliated or third-party Terminal Operator.

If the Port Authority determines, in its sole discretion, that any proposed Terminal Operator Change in Control will or may have a material adverse effect on the Borrower's ability to perform its obligations under the Lease Agreement and the Port Authority so notifies the Borrower in writing, the Borrower will be required to either:

(i) if the proposed Terminal Operator Change in Control will apply to a Terminal Operator Member, (A) nominate another equity member of the Borrower who is a Qualified Terminal Operator to succeed to the responsibilities, rights and obligations of the Terminal Operator Member under the Lease Agreement and terminate any O&M Contract with the Terminal Operator Member and, at the request of the Port Authority, or notwithstanding anything to the contrary in the Lease Agreement, at its discretion, any O&M Contract with the Affiliate of such Terminal Operator Member (if applicable), subject to compliance by the new Terminal Operator Member with the Terminal Operator Minimum Share, (B) enter into an O&M Contract on terms approved by the Port Authority with a third-party Terminal Operator in accordance with the Lease Agreement, or (C) proceed to self-perform the Operations and Maintenance Work in accordance with the Lease Agreement, implementing such changes to the personnel and management of the Borrower as necessary for the Port Authority to determine that the Borrower is a Qualified Terminal Operator; or

(ii) if the proposed Terminal Operator Change in Control will apply to a third-party Terminal Operator or a Terminal Operator who is an Affiliate QTO of the Terminal Operator Member, terminate the O&M Contract with such Terminal Operator within 30 days following written notice from the Port Authority and either (A) if the O&M Contract was performed by an Affiliate QTO of the Terminal Operator Member in accordance with the Lease Agreement, replace the Terminal Operator with another Terminal Operator who is an Affiliate QTO of the Terminal Operator Member on substantially the same terms as the O&M Contract (or such other terms acceptable to the Port Authority in its sole discretion), (B) enter into an O&M Contract on terms approved by the Port Authority with a third-party Terminal Operator who is a Qualified Terminal Operator in accordance with the Lease Agreement, or (C) proceed to self-perform the Operations and Maintenance Work in accordance with the Lease Agreement, implementing such changes to the personnel and management of the Borrower as needed for the Port Authority to determine the Borrower is a Qualified Terminal Operator.

The Borrower is prohibited from terminating or replacing an O&M Contract, except as expressly permitted pursuant to the terms of the Lease Agreement. The Borrower will be required to provide written notice to the Port Authority promptly upon the earlier to occur of an event of default under the O&M Contract and the termination of such O&M Contract. Upon termination of an O&M Contract, the Borrower will promptly effectuate one of the arrangements with respect to the Operations and Maintenance Work described above, or a combination thereof.

The Port Authority's consent is required for any proposed transfer that results in the Terminal Operator Member's holding less than 15% of the direct equity interests in the Borrower (which percentage, in the case of multiple Terminal Operator Members, shall be determined on an aggregate basis) (the "Terminal Operator Minimum Share"). Irrespective of the percentage interest in the Borrower

held by the Terminal Operator Member, the Terminal Operator Member will be represented by one or more members, partners or like representatives in the governing body of the Borrower with a veto power over major operational matters. Prior to the fifth anniversary of the Substantial Completion Date, the Port Authority may withhold its consent at its sole discretion to any proposed transfer of the Terminal Operator Member's equity interests in the Borrower inconsistent with the holding requirement. On or after the fifth anniversary of the Substantial Completion Date, the Port Authority may not unreasonably withhold, delay or condition its consent if the Borrower demonstrates that (i) as a result of such transfer, (A) the Terminal Operator Member will be replaced with a Qualified Terminal Operator holding at least the Terminal Operator Minimum Share (or other share reasonably acceptable to the Port Authority) and (B) any existing O&M Contract will remain in effect, (ii) the Borrower has entered into an O&M Contract on terms approved by the Port Authority with a third-party Terminal Operator who is a Qualified Terminal Operator in accordance with the Lease Agreement; or (iii) the Borrower is a Qualified Terminal Operator capable of performing the Operations and Maintenance Work in accordance with the Lease Agreement.

The Borrower will rely on the expertise and personnel of (i) Vantage Airport Group (New York) LLC (the "Vantage Member"), as Terminal Operator Member; and (ii) Vantage Airport Group (New York) Management Ltd. (the "Manager"), a wholly-owned subsidiary of Vantage Airport Group Ltd. ("Vantage AG") and an Affiliate Under Common Control With the Vantage Member, as Terminal Operator, under an O&M Contract between the Borrower and the Manager under which the Manager will provide the Borrower with certain specified services and support relating to the Operations and Maintenance Work. As of the date of issuance of the Series 2016 Bonds, the Port Authority will have determined that each of the Vantage Member and the Manager is a Qualified Terminal Operator. Such determination with respect to the Vantage Member was based in substantial part on the provisions of an expertise agreement to be entered into on or prior to the commencement date of the Lease Agreement (the "Expertise Agreement"), between Vantage AG and the Vantage Member, under which Vantage AG is committed to provide the Vantage Member, for the duration of the term of the Lease Agreement, with full access to the experience, personnel, intellectual property and other resources of Vantage AG as required by the Vantage Member in connection with its role as the Terminal Operator Member. Each of the Port Authority and the Borrower shall be an express third party beneficiary of the Expertise Agreement with the right receive notice of any breach or asserted breach of the Expertise Agreement by either party to it and to approve in advance of any proposed amendment, termination or replacement of the Expertise Agreement. In the event that the status of the Vantage Member as a Qualified Terminal Operator is revoked by the Port Authority, the Borrower shall, at the request of the Port Authority or, notwithstanding anything to the contrary in the Lease Agreement, at its discretion, terminate its O&M Contract with the Manager and shall promptly effectuate one of the arrangements with respect to the Operations and Maintenance Work described above, or a combination thereof.

### **Refinancing; Restrictions on Additional Indebtedness**

Except as set forth below, the Borrower is not permitted to incur indebtedness other than any Borrower Debt incurred pursuant to the financing documents on the commencement date of the Lease Agreement or any other arrangement put in place by the Borrower or another person which has an effect similar to incurring indebtedness (each, a "Refinancing"), without the prior written consent of the Port Authority. The Port Authority's consent shall not be required if the Borrower demonstrates that: (i) the proposed Refinancing does not increase the weighted average maturity or yield of the Borrower Debt and the proceeds of the proposed Refinancing refinances existing Borrower Debt without increasing the principal amount of outstanding Borrower Debt (other than by an amount equal to the reasonable costs of closing the Refinancing) and results in projected debt service costs in each year to the end of the term of the Lease Agreement that are no greater than the corresponding projected debt service costs immediately prior to such Refinancing; (ii) the proceeds of the proposed Refinancing will be used exclusively for

certain specified uses in accordance with the Lease Agreement, such as to pay for costs and expenses directly resulting from the Borrower's compliance with a Safety Compliance Order or a Directive Letter, capital expenditures in connection with a Port Authority change or a Borrower change approved by the Port Authority or capital expenditures to be incurred in the ordinary course of operations in a projected amount not to exceed \$25,000,000 in the aggregate (subject to adjustment) as contemplated under an approved capital asset management plan; or (iii) the proposed Refinancing has been included in the Borrower's financial model and plan of finance submitted with the finalized proposal, which plan of finance (as may have been amended) shall be acceptable to the Port Authority.

The Port Authority may withhold consent to a proposed Refinancing (without limiting other grounds for withholding consent), if it determines that the information disclosed to it by the Borrower in connection with such proposed Refinancing is (i) not a true and complete disclosure of the relevant aspects of the proposed Refinancing, (ii) the proposed Refinancing would, or reasonably could be expected to, result in a material increase in the Port Authority's liabilities, obligations or risks under the Lease Agreement and the other Project Documents, or (iii) the proposed Refinancing would, or reasonably could be expected to result in a material adverse effect on (A) the ability of the Borrower to perform its obligations under the Lease Agreement and the other Project Documents, or (B) the Borrower's incentives and disincentives to fully comply with the standards and requirements applicable to the Work.

The Port Authority may also withhold its consent, at its sole discretion, to any proposed Refinancing (other than any proposed Refinancing in which the Borrower is able to make the demonstrations referenced above) that either occurs prior to the Substantial Completion Date or results in any portion of the proceeds of the proposed Refinancing being used to make equity distributions or to pay non-capital costs and expenses (other than related to any Refinancing that does not require consent from the Port Authority).

## **Termination of the Lease Agreement**

### ***Borrower Events of Default***

The occurrence of certain events or conditions (set forth more fully in the Lease Agreement) during the term of the Lease Agreement will constitute events of default by the Borrower (each, an "Event of Default"), including, but not limited to, the following:

(i) the Borrower fails to achieve Substantial Completion by the Long Stop Deadline, as such deadline may be adjusted from time to time as expressly provided in the Lease Agreement;

(ii) the Borrower voluntarily abandons, deserts or vacates the Premises or the construction site or discontinues its performance of the Work (excluding a discontinuance in connection with any condemnation, Delay Event, the issuance of an injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law that prohibits or enjoins prosecution of the work for more than 90 consecutive days, an event that prevents all airline sublessees from operating their air transportation system to and from the Airport by reason of their inability to use a substantial part or all of the runways and taxiways, or condemnation of the Premises), or after exhausting or abandoning any right of further appeal, the Borrower, because of an act or omission of the Borrower, is prevented for a period of 60 consecutive days from performing the Work by action of any Governmental Entity having jurisdiction thereof;

(iii) during the Construction Period, except in the case of any suspension of D&C Work by the Port Authority pursuant to the Lease Agreement, the Borrower (A) discontinues the performance of the D&C Work for a period of fifteen or more consecutive days, and (B) fails to resume such discontinued D&C Work within 30 days following the date the Port Authority delivers to the Borrower written notice to resume such D&C Work;

(iv) the Borrower fails to (A) pay when due any Base Rent, First Additional Rent or Second Additional Rent, (B) pay when due any other amounts required to be made to or on behalf of the Port Authority under the Lease Agreement or any Key Contract, Financing Document or interface agreement with Delta Air Lines to which the Borrower and the Port Authority are parties or (C) deposit funds to any reserve or account in the amounts and within the time periods required by the Lease Agreement or any Key Contract, Financing Document or interface agreement with Delta Air Lines to which the Borrower and the Port Authority are parties; provided that such payment is not subject to a good faith dispute and such failure shall continue unremedied or unwaived for a period of twenty days following the date on which the Borrower receives written notice from the Port Authority to make such payment or deposit any such funds;

(v) any representation or warranty made by the Borrower in the Lease Agreement or any other Project Document to which the Port Authority and the Borrower are parties or any certificate delivered by the Borrower to the Port Authority pursuant to the Lease Agreement or any such other Project Documents is false or misleading in any material respect (whether by affirmative statement or omission of statement) when made and the underlying event or circumstances giving rise to such misrepresentation continue without cure for a period of 30 days following the earlier of the date on which the Borrower receives written notice thereof from the Port Authority and the Borrower's actual knowledge thereof (or, subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure);

(vi) the Lease Agreement, the Borrower's leasehold interest, the Premises or any portion of any of the same is assigned, subleased, transferred, mortgaged or encumbered in contravention of the terms of the Lease Agreement, and such transaction is not in compliance with the terms of the Lease Agreement, or voided ab initio, or any lien or a levy under execution or attachment against all or any material portion of the Premises or the Borrower's leasehold interest as a result of any lien created, incurred, assumed or suffered to exist by the Borrower or any person claiming through the Borrower, is not discharged or bonded, as applicable, in each case, within twenty days after the earlier of the date on which the Borrower receives written notice thereof from the Port Authority and the Borrower's actual knowledge thereof;

(vii) (A) the Borrower commences any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, moratorium, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts or (2) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower makes a general assignment for the benefit of its creditors; (B) there is commenced against the Borrower any case, proceeding or other action of a nature referred to in clause (A) above which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed, undischarged or unbonded for a period of 60 days; (C) there is commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which is not vacated,

discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; (D) the Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B), or (C) above; or (E) the Borrower is generally not or is unable to, or admits in writing its inability to, pay its debts as they become due;

(viii) the Borrower fails to comply with the requirements of the Lease Agreement with respect to the City Lease, or the Borrower fails to discharge or cause the discharge of a lien on the Premises as required by the City Lease, if, in each case, such failure continues without cure for a period of 30 days after the earlier of the date on which the Borrower receives written notice thereof from the Port Authority and the Borrower's actual knowledge thereof;

(ix) the Borrower fails to comply with the provisions of the Lease Agreement regarding compliance with (A) the regulations of the Office of Foreign Asset Control of the United States Department of the Treasury, (B) Applicable Law, Applicable Standards, governmental approvals and if such failure causes, or in the reasonable opinion of the Port Authority, is likely to cause, the loss of the Airport Operating Certificate, and if such failure is likely to cause the loss of the Airport Operating Certificate, such failure continues without cure for a period of 30 days (or such shorter period of time as may be required to comply with FAA direction with respect to such failure) after the date on which the Borrower receives written notice thereof from the Port Authority, or (C) FAA grant assurances and the collection and use of PFCs and, if the Port Authority elects in its sole discretion to grant a cure period for such failure, such failure is not cured within such time period;

(x) the Borrower fails to comply with the requirements of the Lease Agreement regarding insurance, including failure to comply with the requirements relating to the amount, terms or coverage, and such failure continues without cure for a period of 30 days after the earlier of the date on which the Borrower receives written notice thereof from the Port Authority and the Borrower's actual knowledge thereof;

(xi) the Borrower fails to comply with any written order issued to the Borrower by the Port Authority to suspend, in whole or in part, the D&C Work within five days following receipt of such written order;

(xii) the Borrower fails to commence and continue the implementation of a Safety Compliance Order or a Directive Letter in accordance with the requirements of the Lease Agreement within such period of time as set forth in (or accompanied by) such Safety Compliance Order or Directive Letter, as applicable; and

(xiii) the Borrower fails to perform or observe (A) any obligation, covenant, agreement, term or condition in the Lease Agreement or any other Project Document to which the Port Authority and the Borrower are parties, including, for the avoidance of doubt, the Requirements and Provisions for Work, and such failure shall continue unremedied or unwaived for a period of 30 days after the date on which the Borrower receives written notice thereof from the Port Authority, or (B) the requirements or directives of a final award in a matter submitted to dispute resolution in accordance with the Lease Agreement and such failure shall continue unremedied or unwaived for a period of 30 days after the receipt by the Borrower of such final award (in each case, subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure (up to a maximum cure period of 180 days)).

### ***Remedial Plan***

Upon the occurrence of certain Events of Default, the Borrower is entitled to cure such Event of Default by preparing and submitting for Port Authority approval within the applicable cure period, a Remedial Plan that shall set forth a schedule and specific actions to be taken by the Borrower to cure the relevant Event of Default and reduce the likelihood of such defaults occurring in the future. Such actions may, amongst other things, include improvements to the Borrower's quality management practices, plans and procedures, revising and restating management plans, changes in organizational and management structure, increased monitoring and inspections, changes in key personnel and other important personnel, and replacement of contractors and suppliers.

Within twenty days of receiving any such Remedial Plan, the Port Authority will notify the Borrower whether or not the relevant Remedial Plan is, in the Port Authority's reasonable discretion, acceptable. If the Port Authority notifies the Borrower that the relevant Remedial Plan is acceptable, the Borrower will be required to implement such Remedial Plan in accordance with its terms. Any failure of the Borrower to comply diligently with such approved Remedial Plan will be deemed an Event of Default and the Port Authority may terminate the Lease Agreement for such Event of Default without any cure period or the proposal of another Remedial Plan.

### ***Port Authority Remedies upon Event of Default***

Upon the occurrence and during the continuation of an Event of Default, the Port Authority may, subject to the Lenders' rights and remedies, do any or all of the following as the Port Authority, in its sole discretion, will determine (as set forth more fully in the Lease Agreement):

(i) except with respect to an Event of Default for any failure by the Borrower to comply with, perform or observe the Operations and Maintenance Work solely with respect to the Central Hall, with respect to which Event of Default, the Port Authority may partially terminate the Lease Agreement, the Port Authority may terminate the Lease Agreement to the extent provided in the termination provisions of the Lease Agreement;

(ii) if the Event of Default is by reason of the failure to pay any monies due to any third-party, the Port Authority may (without any obligation to do so) make payment on behalf of the Borrower of such monies, and any amount so paid by the Port Authority shall be payable by the Borrower to the Port Authority within five days after demand therefor, together with late charges calculated pursuant to the Lease Agreement;

(iii) subject to the Lenders' cure rights, the Port Authority may, if the Borrower has failed to cure an outstanding Event of Default following any cure period granted to the Borrower pursuant to the Lease Agreement, cure the Event of Default (but this shall not obligate the Port Authority to cure or attempt to cure an Event of Default or, after having commenced to cure or attempted to cure an Event of Default, to continue to do so, nor shall the Port Authority incur any liability to the Borrower for any act or omission of the Port Authority or any other Person in the course of remedying or attempting to remedy any Event of Default, nor affect the Port Authority's rights against the Borrower due to such Event of Default), and all costs and expenses reasonably incurred and documented by the Port Authority in curing or attempting to cure such Event of Default, together with an administrative fee equal to 15% of such costs and expenses, shall be payable by the Borrower to the Port Authority within five days of demand therefor;

(iv) the Port Authority may seek payment of rental obligations from the Borrower that survived such termination in accordance with the terms of the Lease Agreement, and the Port

Authority may assess and collect late charges with respect to such overdue amounts calculated pursuant to the Lease Agreement;

(v) except with respect to an Event of Default for any failure by the Borrower to comply with, perform or observe the Operations and Maintenance Work solely with respect to the Central Hall, with respect to which Event of Default, the Port Authority may partially terminate the Lease Agreement, subject to the Lenders' rights and remedies, the Port Authority may terminate the Borrower's right of possession of the Premises and, the Port Authority or the Port Authority's agents and servants may immediately or at any time thereafter re-enter the Premises or any part thereof without further notice of any kind, either by summary proceedings, or by any other applicable action or proceeding, and may regain and resume possession of the Premises and any property therefrom, and dispossess the Borrower and any other persons from the Premises and remove any and all of their property and effects from the Premises, with or without terminating the Lease Agreement, and repossess and enjoy the Premises (provided, that no re-entry, regaining or resumption of possession by the Port Authority shall be construed as an election on its part to terminate the Lease Agreement unless a notice of such intention is given to the Borrower; and provided, further, that any re-entry, regaining or resumption of possession made in accordance with the Lease Agreement as against the Borrower shall be valid and effective against the Borrower even though made subject to the rights of the Lenders to cure any default of the Borrower and continue in the place of the Borrower under the Lease Agreement or a New Agreement pursuant to the Lease Agreement). Any such re-entry, regaining or resumption of possession will not in any manner affect, alter or diminish any of the obligations of the Borrower under the Lease Agreement, and will in no event be or be construed to be an acceptance of surrender; and

(vi) the Port Authority may seek specific performance, injunction or any other remedies at law or in equity, it being acknowledged that monetary damages are an inadequate remedy for an Event of Default.

***Survival of Rental Obligations of the Borrower***

Upon any termination of the Lease Agreement for an Event of Default, or by or under any summary proceeding or other action or proceeding, all obligations of the Borrower to pay Base Rent and First Additional Rent pursuant to the Lease Agreement shall survive such termination and shall remain in full force and effect for the full term of the Lease Agreement had the termination not occurred, and the following damages shall become due and payable to the Port Authority:

(i) all Base Rent and First Additional Rent and all other sums that became due and payable to the Port Authority under the Lease Agreement prior to such early termination (other than Second Additional Rent) and for which payment was not made by the Borrower prior to such date;

(ii) the Port Authority's reasonable expenses in connection with the (A) termination of the Lease Agreement and (B) the Port Authority's re-entry upon the Premises and any re-letting, including, in each case, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees and disbursements, alteration costs, tenant concessions and expenses of preparing the Premises for any such re-letting; and

(iii) an amount equal to the then-present value (determined using a discount rate of 7.5%) of all Base Rent and First Additional Rent and all other sums that would have become due



and payable to the Port Authority under the Lease Agreement through the expiration of the term of the Lease Agreement (other than Second Additional Rent).

***Early Partial Termination by the Port Authority***

Subject to the terms of the Lease Agreement, the Port Authority has the right to partially terminate the Lease Agreement solely with respect to the Central Hall: (i) at any time following the occurrence of an Event of Default due to the failure by the Borrower to perform or observe the Operations and Maintenance Work with respect to the Central Hall in accordance with the terms of the Lease Agreement and (ii) at any time on and after the earlier of (A) the seventh anniversary of the issuance of a temporary certificate of authorization to occupy or use for the Central Hall or Central Hall Substantial Completion and (B) after the date of commencement of regularly scheduled operations at the future AirTrain station.

The Port Authority must provide the Borrower with at least six months prior written notice before any such partial termination of the Lease Agreement. Upon any partial termination of the Lease Agreement solely with respect to the Central Hall, the Borrower will, among other things, be required to handback the Central Hall to the Port Authority, at no charge to the Port Authority and, subject to the obligations of the Borrower to remedy defects or to pay damages to the Port Authority in the amount of the cost of remedying such defects, following such partial termination in accordance with the terms of the Lease Agreement, all of the Borrower's rights, privileges and obligations with respect to the Central Hall will cease to exist (other than any rights and obligations under the Lease Agreement which, by their terms, survive such partial termination).

***Grounds for Termination by the Borrower***

The occurrence of the following events or conditions (set forth more fully in the Lease Agreement) during the term of the Lease Agreement will constitute grounds for termination of the Lease Agreement by the Borrower:

(i) the Port Authority fails to make (i) undisputed payment due to the Borrower under the Lease Agreement when due and such failure shall continue unremedied or unwaived for a period of 45 days after receipt of written notice from the Borrower to make such payment (provided, that such failure by the Port Authority that was caused by an administrative or processing error shall not constitute grounds for termination of the Lease Agreement by the Borrower);

(ii) subject to the limitations set forth in the Lease Agreement, any representation or warranty made by the Port Authority in the Lease Agreement is false or misleading in any material respect (whether by affirmative statement or omission of statement) as of the commencement date of the Lease Agreement, and such circumstances continue without cure for a period of 30 days following the date the Borrower delivers to the Port Authority written notice thereof (or, subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure);

(iii) the Port Authority fails to comply with, perform or observe any obligation, covenant, agreement, term or condition in the Lease Agreement, which failure materially and adversely (A) affects the Borrower's ability to perform its rights and obligations pursuant to the Lease Agreement, (B) increases costs associated with the Borrower's performance of the Work or (C) decreases revenues derived from the operations of the Premises, and such failure shall continue unremedied or unwaived for a period of 30 days after the date on which the Port

Authority receives notice thereof from the Borrower (subject to certain conditions, for such longer period as may be reasonably necessary to cure such failure (up to a maximum cure period of 180 days));

(iv) the Port Authority takes any action or fails to take any action, in each case, which results in the loss of the Airport Operating Certificate, and the Port Authority has not remedied within 30 days after the date of receipt of notice of such loss from the Borrower or the FAA;

(v) if a levy under execution or attachment has been made against all or any material portion of the Terminal B Facilities or the Borrower's leasehold interest as a result of any lien created, incurred, assumed or suffered to exist by the Port Authority or any Person claiming through the Port Authority, which execution or attachment materially adversely affects the Borrower's ability to perform its rights and obligations pursuant to the Lease Agreement, and such execution or attachment has not been vacated, removed or stayed by court order, bonding or otherwise within 60 days after the Port Authority obtains knowledge of such execution or attachment, unless such levy or attachment directly resulted from actions or omissions of the Borrower or any Borrower-Related Entity;

(vi) the issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law, which injunction or order prohibits or enjoins prosecution of the Work for more than 90 consecutive days;

(vii) if all the airline sublessees are prevented from operating their air transportation system to and from the Airport by reason of their inability to use a substantial part or all of the runways and taxiways:

(A) for a period of longer than 30 consecutive days, resulting from any condition of the Airport not due to the fault of the Port Authority, the Borrower or any Borrower-Related Entity;

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

(C) for a period of longer than 90 consecutive days, resulting from any order, rule or regulation of the FAA, or other Governmental Agency having jurisdiction over the operations of the airline sublessees with which the airline sublessees are unable to comply at reasonable cost or expense; or

(viii) the Borrower is prevented from performing all or a substantial portion of the D&C Work by reason of its inability to use or access all or a substantial part of the Premises directly due to a Force Majeure Event for a period of longer than 90 consecutive days;

provided, that with respect to any of the events described in clauses (iii) or (iv) above, the occurrence of any such event as a direct and proximate result of a Force Majeure Event with respect to the Port Authority shall be deemed not to constitute grounds for termination of the Lease Agreement or an event or circumstance that with the lapse of time, the giving of notice or both would constitute grounds for termination of the Lease Agreement and any cure periods provided in such clauses shall be extended solely to the extent, and for long as, the ability of the Port Authority to cure thereunder is directly and adversely affected by such Force Majeure Event with respect to the Port Authority.

Upon the occurrence and continuation of any of the events described in clauses (i)-(v) above, the Borrower may terminate the Lease Agreement and the Port Authority will be obligated to pay to the Borrower termination compensation (the "Port Authority Termination Sum") equal to the aggregate of: (i) the greater of (A) the fair-market value of the Borrower's leasehold interest and its rights and obligations pursuant to the Lease Agreement, determined according to the appraisal procedures set forth in the Lease Agreement, and (B) 100% of Borrower Debt then outstanding, plus (ii) reasonable demobilization costs, less (iii) any insurance or condemnation proceeds payable to the Borrower (or that should have been payable to the Borrower but for (A) the insurer's inability to pay, (B) breach by the Borrower of an obligation to take out or maintain insurance pursuant to the Lease Agreement or (C) the invalidity or breach of any insurance policy caused by the Borrower under which such policy proceeds would have been paid) with respect to all or any portion of the Premises as a result of the occurrence of such grounds for termination, less (iv) any account balances available to pay amounts specified in clauses (i) and (ii) above.

Upon the occurrence and continuation of any of the events described in clauses (vi)-(viii) above, the Borrower may deliver a termination notice to the Port Authority. The Port Authority will have the option to:

(i) accept such termination notice and pay to the Borrower termination compensation (the "Unamortized Costs Termination Sum") equal to the aggregate of (i) all equity investment (other than Equity Member Debt) actually contributed to the Borrower and either used to pay Project costs or kept in a bank account held by or on behalf of the Borrower and constituting account balances, less dividends and other distributions paid to the Equity Members, plus (ii) Equity Member Debt then outstanding (provided, that proceeds of such Equity Member Debt were either used to pay Project Costs or deposited in a bank account held by or on behalf of the Borrower and constitute account balances), less an amount equal to the aggregate of all payments of interest made by the Borrower with respect thereto, plus (iii) 100% of Borrower Debt then outstanding, plus (iv) reasonable demobilization costs, less (v) any account balances available to pay amounts specified in clauses (i)-(iv) above, less (vi) the portion of any lump sum compensation previously paid by the Port Authority to the Borrower in connection with any Compensation Event occurring prior to the early termination date with respect to any Borrower Damages not yet incurred, less (vii) any insurance or condemnation proceeds payable to the Borrower (or that should have been payable to the Borrower but for (A) the insurer's inability to pay or (B) breach by the Borrower of an obligation to take out or maintain insurance pursuant to the Lease Agreement), or

(ii) in lieu of paying the Unamortized Costs Termination Sum, to enter into good faith negotiations with the Borrower for a period of 90 days to agree upon appropriate equitable adjustments and amendments to the Lease Agreement in order to continue the Lease Agreement in effect. As part of such good faith negotiations, the Port Authority and the Borrower may mutually agree to extend the term of the Lease Agreement or enter into a similar agreement that permits the use and occupancy of the Premises by the Borrower on terms and conditions satisfactory to both parties, taking into account whether such extension would be permitted under the City Lease, and Applicable Law and whether prior approval is required by the Port Authority's Board of Commissioners. If the Port Authority and the Borrower cannot reach agreement on terms to continue the Lease Agreement in effect, the Lease Agreement will terminate and the Port Authority will be obligated to pay to the Borrower the Unamortized Costs Termination Sum.

Any payment to the Borrower of the Port Authority Termination Sum or the Unamortized Costs Termination Sum that is agreed between the Borrower and the Port Authority, or is determined pursuant

to the dispute resolution procedures of the Lease Agreement, is subject to the prior written approval of the Port Authority's Board of Commissioners if required in accordance with the Port Authority's by-laws; provided, that the approval of the Board of Commissioners, which would otherwise be required by the by-laws, will not be required for a final judgment for payment of the Port Authority Termination Sum or the Unamortized Costs Termination Sum, as applicable, by a court of competent jurisdiction, for which all rights to appeal have either been exhausted or have expired. If approval of the Board of Commissioners is required in accordance with the by-laws, the Port Authority will seek to obtain it in an expeditious and diligent manner, consistent in all respects with Applicable Law.

## **Other Termination Events**

### ***Early Termination of City Lease***

The Lease Agreement is subject and subordinate to the City Lease. Upon any early termination of the City Lease, the Borrower will, at the City of New York's option, either attempt to or enter into a direct lease on identical terms with the City of New York. In the event of an early termination of the City Lease resulting from certain events of default thereunder by the Port Authority (provided that such event of default was not caused by a failure of the Borrower to comply with its obligations under the Lease Agreement) or pursuant to an amendment, restatement, modification or addition to the City Lease, the Lease Agreement will terminate and the Port Authority will be obligated to pay to the Borrower the Port Authority Termination Sum. Such termination payment will not be due and payable if: (i) the Borrower enters into a lease agreement with the City of New York or a successor or permitted assignee of the Port Authority on substantially similar terms as the Lease Agreement or (ii) the Borrower enters into an agreement with the City of New York that either reinstates the Lease Agreement or provides for another lease agreement on substantially similar terms as the Lease Agreement, and in each case, the Borrower has not been prevented from continuously performing the Work on the Premises in accordance with the terms of the Lease Agreement.

Any payment to the Borrower of the Port Authority Termination Sum that is agreed between the Borrower and the Port Authority, or is determined pursuant to the dispute resolution procedures of the Lease Agreement, is subject to the prior written approval of the Port Authority's Board of Commissioners if required in accordance with the Port Authority's by-laws; provided, that the approval of the Board of Commissioners, which would otherwise be required by the by-laws, will not be required for a final judgment for payment of the Port Authority Termination Sum by a court of competent jurisdiction, for which all rights to appeal have either been exhausted or have expired. If approval of the Board of Commissioners is required in accordance with the by-laws, the Port Authority will seek to obtain it in an expeditious and diligent manner, consistent in all respects with Applicable Law.

### ***Early Termination Upon Condemnation***

If all or a material portion of the Premises is condemned by the Port Authority through condemnation or the power of eminent domain, the Borrower may terminate the Lease Agreement and the Port Authority must pay to the Borrower the Port Authority Termination Sum, which shall be calculated as if such condemnation had not occurred.

If all or a material portion of the Premises is condemned by a Governmental Entity other than the Port Authority through condemnation or the power of eminent domain, the Borrower may terminate the Lease Agreement. If the Port Authority received payment for damages allocable to the Port Authority's leasehold interest in the Airport from such Governmental Entity, the Port Authority will be obligated to pay to the Borrower a fair and reasonable allocation of such damages received, as determined by the Port Authority, and such allocation will be final and binding on the Borrower.

### ***Actions Upon Termination***

If a notice of termination of the Lease Agreement is delivered prior to the Final Acceptance Date, then the Port Authority, subject to the Lenders' rights under any direct agreement with respect to the D&C Contract, will elect to either continue the D&C Contract in effect or to require its termination. Within three days after receipt by the Borrower or the Port Authority, as applicable, of a termination notice, the Borrower and the Port Authority shall meet and confer for the purpose of developing a plan for the orderly transition of Work, demobilization and transfer of control of the Premises to the Port Authority, and shall use diligent efforts to complete preparation of such plan within fifteen days.

### **Lenders' Rights And Remedies**

#### ***Leasehold Mortgages***

Except as expressly authorized in the Lease Agreement, the Borrower may not mortgage its interest in the Lease Agreement or any part of the Premises, in whole or in part.

The Lease Agreement allows the Borrower to grant a Leasehold Mortgage on its interest in the Lease Agreement to secure the initial Borrower Debt under the Financing Documents or, subject to certain conditions, any subsequent Borrower Debt, provided, that at the time any Leasehold Mortgage is executed and delivered no Event of Default has occurred and is continuing, and subject to certain terms and conditions, including the following:

(i) no Leasehold Mortgage shall extend to or affect the fee simple interest in the Premises, the Port Authority's interest under the Lease Agreement or its reversionary interest and estate in and to the Premises or any part thereof;

(ii) the Port Authority shall have no obligation to the Recognized Mortgagee in the enforcement of the Port Authority's rights and remedies under the Lease Agreement or as otherwise provided by Applicable Law, except as expressly set forth in the Lease Agreement and unless the Recognized Mortgagee has provided the Port Authority with notice of its Leasehold Mortgage;

(iii) except as specified in the Lease Agreement, all rights acquired by a Recognized Mortgagee under a Leasehold Mortgage are subject and subordinate to all of the provisions of the Lease Agreement and to all of the rights of the Port Authority; and

(iv) as between the Port Authority and any Recognized Mortgagee, in the event of any inconsistency between the terms, covenants, conditions and provisions of the Lease Agreement and the terms, covenants, conditions and provisions of the Leasehold Mortgage or any of the Financing Documents, the terms, covenants, conditions and provisions of the Lease Agreement shall control.

### **Recognized Mortgagee**

A Person that holds a Leasehold Mortgage that complies with certain terms and conditions in the Lease Agreement and is an Institutional Lender shall be entitled to the benefits and protections provided to a Recognized Mortgagee pursuant to the Lease Agreement (including an Institutional Lender acting as Collateral Agent with the customary powers given to collateral agents or trustees in commercial financing transactions).

### *Notices*

The Port Authority shall deliver to the Recognized Mortgagee a copy of each Event of Default Notice given under the Lease Agreement at the same time as and whenever any Event of Default Notice shall have been sent to the Borrower, and no Event of Default Notice shall be deemed to have been given unless and until a copy shall have been given to the Recognized Mortgagee. If the Port Authority elects to terminate the Lease Agreement the Port Authority shall at the same time send to the Recognized Mortgagee a copy of the Port Authority termination notice, and no Port Authority termination notice given by the Port Authority shall be deemed to have been given by the Port Authority unless and until a copy shall have been given to the Recognized Mortgagee. The effective time and date of such termination, so long as the Leasehold Mortgage is in effect, shall not be sooner than 90 days after such notice, and shall be subject to the extension and/or stay provided in the Lease Agreement.

### *Recognized Mortgagee's Right to Cure*

The Recognized Mortgagee shall have a period of (a) 30 days with respect to any Event of Default arising out of non-payment of Base Rent, First Additional Rent or Second Additional Rent, and (b) 120 days with respect to any other Event of Default (other than an Event of Default relating to bankruptcy or insolvency as to which no cure period shall apply) beyond any cure period expressly provided to the Borrower, in which to cure or cause to be cured any such Event of Default; provided, however, that in the case of clause (b), such 120-day period shall be extended for an additional period of time reasonably acceptable to the Port Authority, if the Event of Default may be cured, but such cure cannot reasonably be accomplished during such 120 day-period and the Recognized Mortgagee begins to and is diligently working to cure such Event of Default within such 120-day period (or if possession is necessary in order to effect such cure, the Recognized Mortgagee, within such 120-day period, files the appropriate legal action to commence foreclosure on the lien of the Leasehold Mortgage) and thereafter proceeds with all due diligence to cure such Event of Default (including by proceeding with all due diligence to effect such foreclosure and during such foreclosure action (to the extent practicable) and thereafter to effect such a cure) within a period of time reasonably acceptable to the Port Authority; provided, further, that if any Recognized Mortgagee is prohibited from curing any Event of Default by any process, stay or injunction issued by any governmental entity or pursuant to any bankruptcy or insolvency proceeding involving the Borrower, then the time periods for curing such Event of Default shall be extended for the period of such prohibition. If the Recognized Mortgagee is acting to cure an Event of Default in accordance with the Lease Agreement then the Port Authority shall not exercise its right to terminate the Lease Agreement by reason of such Event of Default; provided, however, that the Port Authority may exercise any of its other rights and remedies provided for under the Lease Agreement at law or in equity so long as the exercise of such rights does not interfere with the Recognized Mortgagee's rights. In furtherance of the foregoing, the Port Authority shall permit the Recognized Mortgagee and its designees the same access to the Premises as is permitted to the Borrower and permit the Recognized Mortgagee or its designees to take all actions and exercise all rights of the Borrower under the Lease Agreement (all at the Borrower's sole cost and expense); provided, that any actions to be taken or taken by a Recognized Mortgagee or its designees to exercise its cure rights shall be undertaken only in accordance with the provisions of the Lease Agreement that would be applicable to the Borrower were it taking such actions, and so as not to cause or result in an Event of Default, and in no event shall any such action be taken by a Prohibited Party. The Port Authority shall accept any such performance by a Recognized Mortgagee or its designee as though the same had been done or performed by the Borrower. Any exercise of the Recognized Mortgagee's rights to cure shall not result in the assumption by such Recognized Mortgagee of the Borrower's obligations under the Lease Agreement.

### ***Assignment of Leasehold Mortgage***

A Recognized Mortgagee shall not assign or transfer the Leasehold Mortgage to any Person other than a Successor Recognized Mortgagee without the prior written consent of the Port Authority in its sole discretion.

### ***Foreclosure***

The Recognized Mortgagee may exercise its Foreclosure Rights (or any contractual or statutory power of sale under the security documents or an assignment in lieu) and enforce any security document in any lawful way; provided, however, in connection with the exercise of its Foreclosure Rights (or any contractual or statutory power of sale under such Leasehold Mortgage or an assignment in lieu): (i) the rights of the Borrower under the Lease Agreement may be assigned or transferred only to a Qualified Terminal Operator, (ii) if the Recognized Mortgagee moves or petitions for appointment of a receiver, such motion or petition shall be subject to the prior written consent of the Port Authority, such consent not to be unreasonably withheld or delayed, (iii) any Person to whom the Recognized Mortgagee transfers or assigns the Borrower's interest in the Lease Agreement (including the Recognized Mortgagee) pursuant to clause (i) above shall enter into an assignment and assumption agreement (the "Borrower Assignment and Assumption Agreement") in substantially the form attached to the Lease Agreement, pursuant to which such Person shall have the rights and powers of, and assume the obligations of, the Borrower under the Lease Agreement, including, without limitation, any and all unperformed obligations of the Borrower under the Lease Agreement; (iv) the Recognized Mortgagee is not permitted in connection with its enforcement of its lien under the Leasehold Mortgage to do anything that would materially and adversely affect the Premises, the Operations and Maintenance Work or is otherwise inconsistent with, or not permitted by, the Lease Agreement, (v) such Qualified Terminal Operator shall acknowledge and agree that each Airline Sublease that is otherwise in full force and effect will remain in full force and effect and will be fully enforceable against such Qualified Terminal Operator in accordance with its respective terms as if such Qualified Terminal Operator were the original party thereto; (vi) such Qualified Terminal Operator (or its designee or nominee) shall pay or cause to be paid to the Port Authority, at the time of the execution and delivery of such Borrower Assignment and Assumption Agreement, all amounts set forth in a Statement of Estimated Liabilities which are past-due or due and payable in accordance with the provisions of the Lease Agreement; and (vii) in the case of a Borrower Assignment and Assumption Agreement, such Qualified Terminal Operator has cured, within the applicable cure period, all Events of Default under the Lease Agreement of which the Recognized Mortgagee has been notified by the Port Authority in writing, as set forth in a Statement of Estimated Liabilities, or, if such defaults cannot be cured by the payment of money or within the applicable cure period, and to the extent reasonably acceptable to the Port Authority, such Qualified Terminal Operator commits to the Port Authority in a remedial plan acceptable to the Port Authority, in its reasonable discretion, to proceed both promptly and diligently, upon the execution of the Borrower Assignment and Assumption Agreement, to cure all such other Events of Default (to the extent curable) set forth in a Statement of Estimated Liabilities and, if possession is necessary in order to cure such other Events of Default, to proceed both promptly and diligently to obtain the possession required to cure any such other defaults to the extent curable. For purposes of determining whether a successor lessee to the Lease Agreement pursuant to a foreclosure or assignment in lieu thereof is a Qualified Terminal Operator, the successor lessee may either (A) self-perform substantially all of the Operations and Maintenance Work and the Port Authority has determined that the successor lessee is itself a Qualified Terminal Operator or the successor lessee will rely on the expertise and personnel of a Qualified Terminal Operator who is an equity member of the successor lessee or (B) enter into an O&M Contract for the performance of substantially all of the Operations and Maintenance Work with a third-party Qualified Terminal Operator on terms that are acceptable to the Port Authority in its sole discretion.

During any period in which the Recognized Mortgagee itself or by an agent, is the owner, or is in control or possession, of the Borrower's interest in the Lease Agreement, it shall (A) engage a Qualified Terminal Operator to provide management services with respect to the operations of the Premises and (B) be bound by all liabilities and obligations of the Borrower accruing under the Lease Agreement during such period.

### ***New Lease Agreement***

Without prejudice to the cure rights of a Recognized Mortgagee, if the Lease Agreement is rejected or disaffirmed pursuant to any bankruptcy law or proceeding or other similar law or proceedings affecting creditors' rights generally with respect to a bankruptcy proceeding relating to the Borrower or otherwise, then the Port Authority agrees, if there are outstanding obligations to a Recognized Mortgagee (subject to the receipt of all necessary governmental approvals, which the Port Authority agrees to use commercially reasonable efforts to obtain), to enter into a new lease of the Premises (the "New Agreement") with the Recognized Mortgagee (or its designee or nominee) and any ancillary documents or agreements as may be necessary or desirable to give full effect to the New Agreement for the remainder of the term of the Lease Agreement upon all of the covenants, agreements, terms, provisions and limitations of the Lease Agreement, effective as of the date of such termination subject to the conditions set forth in the next paragraph.

The Port Authority's obligation to enter into a New Agreement is subject to the satisfaction of all of the following requirements and conditions: (i) such New Agreement shall be between a Qualified Terminal Operator, as lessee, and the Port Authority, as lessor, (ii) such Qualified Terminal Operator, within 60 days after the Lease Agreement is rejected or disaffirmed as a result of such bankruptcy or similar proceeding, provides a copy of such New Agreement, duly executed by the proposed Qualified Terminal Operator; (iii) the Recognized Mortgagee (or its designee or nominee, including such Qualified Terminal Operator) has paid or has caused to be paid to the Port Authority, on a current basis as and when due under the Lease Agreement and not paid by the Borrower, all amounts set forth in a Statement of Estimated Liabilities which are past-due or due and payable in accordance with the provisions of the Lease Agreement; and (iv) such Qualified Terminal Operator, at the time of such written request, cures all Events of Default under the Lease Agreement (curable by the payment of money) of which the Recognized Mortgagee has been notified by the Port Authority in writing, as set forth in a Statement of Estimated Liabilities, or, if such Events of Default cannot be cured by the payment of money, such Qualified Terminal Operator commits to the Port Authority in the New Agreement to proceed both promptly and diligently, upon the execution of the New Agreement, to cure all such other Events of Default (to the extent curable) set forth in a Statement of Estimated Liabilities and, if possession is necessary in order to cure such other Events of Default, to proceed both promptly and diligently to obtain the possession required to cure any such other Events of Defaults to the extent curable (and such cure shall be a covenant of the Qualified Terminal Operator in the New Agreement).

### ***Port Authority's Right to Pay Off Lessee Debt***

The Port Authority shall have the right, after the occurrence and during the continuation of a Lessee default under the Leasehold Mortgage and after written notice has been received from the Recognized Mortgagee that the Borrower Debt outstanding under the Financing Documents has become immediately due and payable, to tender to the Recognized Mortgagee the amount outstanding under and secured by the Leasehold Mortgage, and upon such tender the Leasehold Mortgage shall terminate and be of no further force and effect.



## **Indemnification**

### ***Indemnification by the Borrower***

The Borrower will indemnify and hold harmless the Port Authority, the City of New York, the New York City Economic Development Corporation, each Commissioner of the Port Authority and each of their respective officers, directors, agents, employees and authorized representatives (collectively, the “Port Authority Indemnified Parties”) for any liability for losses due to third-party claims (except to the extent such losses are caused by (i) willful misconduct or gross negligence of a Port Authority Indemnified Party, (ii) a breach by the Port Authority of its obligations under the Project Documents to which it is a party, (iii) a Compensation Event or Delay Event or (iv) any Excluded Liabilities) arising out of events specified in the Lease Agreement, including, but not limited to, the following: (A) any use or occupancy of the Premises or the areas subject to Temporary Rights of Access by the Borrower or any occupant or any acts or omissions of any Borrower-Related Entity or any sublessee at the Airport; (B) failure of the Borrower to comply with or perform any covenants or obligations in the Lease Agreement or the other Project Documents or any breach by the Borrower of its representations and warranties set forth in the Lease Agreement; (C) any willful misconduct, negligence or other culpable act, error or omission of a Borrower-Related Entity or any sublessee in connection with the Work, the Premises or the areas subject to the Temporary Rights of Access; and (D) any environmental liability with respect to a Hazardous Materials Release at, on or under the Premises or the areas subject to the Temporary Rights of Access, or at any off-Premises location, caused by the negligent or willful acts or omissions of the Borrower, any Borrower-Related Entity or any occupant (to the extent the Borrower is responsible for the acts or omissions of such occupant pursuant to the Lease Agreement).

### ***Indemnification by the Port Authority***

To the fullest extent permitted by Applicable Law, the Port Authority will indemnify and hold harmless the Borrower, its equity members and each of their respective officers, directors, managers, members, agents, employees and authorized representatives (collectively, the “Borrower Indemnified Parties”) for losses actually suffered or incurred by such Borrower Indemnified Parties as a result of third-party claims (except to the extent such losses are caused by willful misconduct or negligence of a Borrower-Related Party or a breach by the Borrower of its obligations under the Project Documents to which it is a party) arising out of: (i) any Excluded Liabilities; (ii) subject to the limitations set forth in the Lease Agreement, any breach by the Port Authority of its representations with respect to certain disclosed information relating to the operations and maintenance of the Existing Terminal B Facilities; and (iii) willful misconduct or negligence of a Port Authority Indemnified Party in connection with the performance of the Supporting Projects.

## **Insurance**

The Borrower will procure and maintain, or cause to be procured and maintained, insurance policies required under the Lease Agreement, including, but not limited to, casualty insurance for the full replacement cost of the Terminal B Facilities and, prior to any partial early termination of the Lease Agreement solely with respect to the Central Hall, the Central Hall, liability insurance, builder’s risk insurance and business interruption insurance, each to the maximum extent available at commercially reasonable rates. The Borrower will cause each contractor to obtain (prior to commencing any Work) and maintain all insurance that a reasonable and commercially prudent contractor would maintain, to the extent such contractor is not covered by the liability insurance provided by the Borrower. The Borrower is required to use the proceeds of any property insurance policy (other than business interruption insurance) for the repair, replacement or rebuilding of the Premises, subject to the Financing Documents. Except as expressly provided in the Lease Agreement, all losses within the scope of the insurance

requirements under the Lease Agreement which are not recoverable by insurance or deductible would be the responsibility of and paid by the Borrower.

### **Equal Opportunity – Employment Matters**

The Borrower is prohibited from discriminating against employees or applicants for employment and selections for training or retraining because of race, creed, color, national origin, sex, age, disability or marital status. In addition, the Borrower must commit to use good faith efforts to implement an extensive program of affirmative action, including specific affirmative action steps to be taken by the Borrower, to ensure maximum opportunities for employment and contracting by minorities and women.

The Borrower is required to commit to use good faith efforts to implement a program to ensure compliance with the Port Authority's policies with respect to ensuring maximum opportunities for minority and women-owned business enterprises, as well to encourage the use of local business enterprises, all as specified in and in accordance with the participation goals set forth in the Lease Agreement.

The Borrower cannot discriminate against any business owner because of the owner's race, color, national origin or disability in connection with the award or performance of any concession sublease, management contract or subcontract, purchase or lease agreement or other similar agreement. In addition, in connection with the leasing and operation of the concession program at the Premises, the Borrower must use good faith efforts to implement an extensive program to maximize the use of airport concession disadvantaged business enterprises in accordance with the Lease Agreement.

### **Dispute Resolution**

#### ***General***

In the event of a dispute between the Port Authority and the Borrower regarding any matter in the Lease Agreement (other than disputes involving a technical matter or with respect to the Other Redevelopments), designated senior representatives of each of the Port Authority and the Borrower will meet and negotiate in good faith to resolve such dispute. If resolution is not reached within fifteen days, either the Port Authority or the Borrower may request non-binding mediation of the dispute. If resolution is not reached within 60 days of the initiation of mediation proceedings or if both the Port Authority and the Borrower do not agree to mediation, either the Port Authority or the Borrower has the right to resolve such dispute (other than any dispute of a technical nature) through litigation. Any dispute that involves a technical or engineering matter with respect to the D&C Work and any capital improvements or replacement or renovation work performed by the Borrower on the Premises during the O&M Period, shall be determined by the Port Authority's Chief Engineer in his or her sole discretion and (subject to any remedies the Borrower may have as matter of public law in respect of the Chief Engineer's determination) such determination will be conclusive, final and binding.

#### ***Disputes with Respect to Other Redevelopments***

To the extent that the performance of construction work carried out by Delta Air Lines and/or its contractors at or immediately adjacent to the Premises during the Construction Period leads to material damage or disruption to the Work, designated senior representatives of each of the Borrower and Delta Air Lines (together with designated senior representatives of their respective contractors) will meet as soon as possible and use Reasonable Efforts to resolve such dispute. If resolution is not reached within ten days, the Borrower will, and will cause its contractors to, provide, and the Port Authority will cause Delta Air Lines to provide, and to ensure that its contractors provide, all relevant information pertaining

to such dispute to the other parties and to the Port Authority. The Port Authority may participate in the negotiations if it determines, in its reasonable discretion, that the Port Authority's interests may be affected thereby, or if its participation is required by the Borrower and Delta Air Lines.

If the designated senior representatives of the Borrower, Delta Air Lines and their respective contractors (and, if applicable, the Port Authority) succeed in reaching resolution, the parties will memorialize the resolution in writing and if the Port Authority did not participate in such negotiations, the Borrower will notify the Port Authority in writing of the terms of such resolution and the Port Authority will approve or disapprove such terms within fifteen days of receipt. If such resolution impacts the cost and/or schedule of the Work, and/or revenue of the Borrower, the Borrower will be entitled to a change order and, in the event no agreement is reached between the Port Authority and the Borrower on such change order, the Port Authority shall issue a Directive Letter and such change order or Directive Letter, as applicable, will represent the sole right to compensation and damages against the Port Authority for such impacts and delays. If (i) the parties are unable to resolve the dispute, (ii) the Port Authority does not approve such resolution, or (iii) the Borrower or Delta Air Lines reasonably determines prior to the expiration of the ten-day period that resolution is not likely to be achieved, then any party may refer the issue to the Port Authority's Chief Engineer for resolution in his or her sole discretion and (subject to any remedies the Borrower may have as matter of public law in respect of the Chief Engineer's determination) such determination will be conclusive, final and binding.

#### ***Board Approval***

The resolution of a dispute determined pursuant to the dispute resolution procedures of the Lease Agreement that requires payment by the Port Authority to the Borrower is subject to the prior written approval of the Port Authority's Board of Commissioners, if required in accordance with the Port Authority's by-laws, excluding payment required for a final judgment for payment by a court of competent jurisdiction, for which all appeals have expired or been exhausted.

#### ***Governing Law***

The Lease Agreement and any claim, controversy or dispute arising under or related to the Lease Agreement and the letting thereunder shall be governed by, and be construed in accordance with, the laws of the State of New York applicable to contracts made, and to be performed solely within, such State, without regard to choice of law principles.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## **Appendix F**

### **SUMMARY OF CERTAIN PROVISIONS OF THE DESIGN-BUILD CONTRACT**

The following is a summary of selected provisions of the Design-Build Contract and is not a full statement of the terms of such agreement. Accordingly, the following summary is qualified in its entirety by reference to the Design-Build Contract and is subject to the full text of such agreement. Unless otherwise stated, any reference in this Official Statement to the Design-Build Contract shall mean such agreement and all schedules, exhibits and attachments thereto, as amended, supplemented or otherwise modified and in effect as of the date hereof.

#### **Back-to-Back Obligations**

The Design-Build Contract is a lump-sum fixed price, date certain, design-build contract for the DB D&C Work, subject to adjustment only in accordance with the provisions of the Design-Build Contract. The Design-Build Contract is subject to the terms and conditions set forth within the Design-Build Contract, (including such terms and conditions that explicitly impose an obligation on the Borrower), “back-to-back” with the obligations and liabilities imposed on the Borrower in the Lease Agreement that are related to the D&C Work, and such obligations and liabilities will be imposed on the Design-Builder only to the extent of the DB D&C Work. The Design-Builder will be required to comply with all other obligations and liabilities imposed by the Port Authority under the Lease Agreement that are applicable to the Design-Builder due to its status as the Lead Contractor, a D&C Contractor, a contractor or a party to a Key Contract). In addition, insofar as it relates to the DB D&C Work, the Design-Builder will not act or omit to act (and will cause the DB Parties not to act or omit to act) in any manner that would place the Borrower in breach of any of the Borrower’s obligations under the Project Documents (including the Lease Agreement).

#### **Term**

The term of the Design-Build Contract will commence on the date of execution and delivery of the Design-Build Contract and will continue until all of the Design-Builder’s and the Borrower’s respective obligations under the Design-Build Contract have been fully discharged, unless earlier terminated in accordance with the termination provisions of the Design-Build Contract; provided, however, that the obligations of the Design-Builder with respect to the commencement and performance of the DB D&C Work and the payment obligations of the Borrower under the Design-Build Contract (in each case, other than the DB D&C Work that is governed by the PNTP Agreement) will be subject to the occurrence of financial close, unless otherwise agreed by the parties.

#### **Access to and Use of the Premises**

The Design-Builder is entitled to access to and the right to use the DB Work and Staging Area in accordance with the access rights granted to the Borrower under the terms of the Lease Agreement with respect to such area (subject to the Port Authority and the Borrower having issued any required Notice to Proceed and the Design-Builder therefore being authorized to proceed). The Design-Builder has no greater rights of access to such area than are available to the Borrower under the Lease Agreement. Once the Port Authority grants access to any such area to the Borrower under the Lease Agreement, the Borrower will grant access to the Design-Builder at the times set forth in the terms of the Design-Build Contract subject to the Port Authority and the Borrower having issued any required Notice to Proceed and the Design-Builder therefore being authorized to proceed.

In connection with the rights of access granted to the Design-Builder pursuant to the Design-Build Contract, the Design-Builder has exclusive right to, and the Design-Builder is required to, design and construct the Construction Project, in accordance with and subject to the terms and conditions of the Design-Build Contract, the Lease Agreement and other Contract Documents and so as to enable the Borrower to discharge its obligations to the Port Authority under the Lease Agreement with respect to the DB D&C Work. The Design-Builder will perform its obligations under the Design-Build Contract so as not to cause the Borrower, or any party carrying out any work or operation on behalf of the Borrower pursuant to the Lease Agreement, any loss or damage.

### ***Use of DB Work and Staging Area***

The DB Work and Staging Area (other than the Central Hall) may be used by the Design-Builder, the other DB Parties, and its authorized representatives in the performance of the DB D&C Work.

The Design-Builder may use the DB Work and Staging Area (other than the Central Hall) for any other purpose or activity, in addition to those specified in this section, for which the DB Work and Staging Area is expressly authorized to be used by any other provision of the Design-Build Contract, including for activities reasonably required for purposes of performing the DB D&C Work, and for such purposes and activities only.

No greater rights or privileges with respect to the use of the Premises or any part thereof will be granted or intended to be granted to the Design-Builder by the Design-Build Contract, or by any provision thereof, than the rights and privileges expressly and specifically granted by the Design-Build Contract.

Neither the Design-Build Contract, nor anything contained therein, will or will be deemed to grant to the Design-Builder any right, privilege or permission to perform any sale, service or any other activity other than as is expressly provided in the Design-Build Contract and upon the terms and conditions of the Design-Build Contract

## **Design and Construction of the Project**

### ***Scope of the Work***

The DB D&C Work is (1) the D&C Work and all work related thereto required under the Project Documents, except that any D&C Work relating to matters specifically identified as constituting a Borrower responsibility within the various sub-exhibits to Exhibit A to the Design-Build Contract will not constitute DB D&C Work, and (2) the work set out in such Exhibit A which is specifically included as the responsibility of the Design-Builder and which may be additional to the D&C Work. The Design-Builder has no responsibility to perform any Operations and Maintenance Work.

The Design-Builder is required to perform the DB D&C Work pursuant to the terms and conditions of the Design-Build Contract. In general, the DB D&C Work aligns with the D&C Work required under the Lease Agreement. The scope of the DB D&C Work includes, but it not limited to, the following:

- (i) the decommissioning and demolition of the Existing Terminal B Facilities;
- (ii) the demolition of P2 Garage, Hangar 1 and frontage roads associated therewith and with the Existing Terminal B Facilities;
- (iii) the decommissioning and demolition of the Central Electrical Substation;

- (iv) the design, construction and demolition of temporary facilities to support passenger services during construction of the New Facilities;
- (v) the design and construction of the New Terminal B Facilities replacing the Existing Terminal B Facilities;
- (vi) the design and construction of the elevated and at-grade pedestrian walkway connection between the New Terminal B Facilities and the new West Garage (the “New Pedestrian Walkway”);
- (vii) the decommissioning and demolition of the Existing CHRP;
- (viii) the design and construction of the New CHRP;
- (ix) the design and construction of the CRWD;
- (x) the design and construction of such portion of the hydrant aircraft fueling infrastructure that will be located within the contiguous aircraft ramp areas included in the New Terminal B Facilities;
- (xi) the demolition and removal of the below grade vaults and above grade masonry walls of the National Grid Gate and Governor Station following National Grid’s decommissioning thereof;
- (xii) the design and construction of the Central Hall;
- (xiii) the fit-out of Building 30 and relocation of Port Authority staff from the Existing Terminal B Facilities to Building 30 (the “Building 30 Fit-Out”);
- (xiv) the design and construction of improvements to the public airport roads and utilities associated with such roadway improvements (the “Roadway Network”);
- (xv) the design and construction of replacement Utilities and new Utilities serving the Existing Facilities and, when constructed, the Existing Facilities and the New Facilities (the “Utilities Replacement”);
- (xvi) the design and construction of a new West Garage and associated toll plaza serving the New Terminal B Facilities (the “West Garage”); and
- (xvii) airfield modifications between the New Terminal B Facilities contiguous aircraft ramp and apron area and the adjacent taxiways;

Except as otherwise expressly provided in the Lease Agreement or in the Requirements and Provisions for Work, the Construction Project (or any Construction Segment or New Facilities Construction Milestone), once completed, will become a part of the Premises; provided, that the New Improvements will not form a part of the Premises. Any DB PNTP Work performed by the Design-Builder under the PNTP DB Contract prior to the DB Contract Effective Date will, upon execution of the Design-Build Contract, be deemed to have been performed by the Design-Builder pursuant to, and subject to the terms and conditions of, the Design-Build Contract.

In addition to performing all other requirements of the Contract Documents related to the DB D&C Work, and without limiting the provisions set forth above, the Design-Builder will:

(i) furnish all design and other services, provide all materials, equipment and labor and undertake all efforts necessary or appropriate in relation to the DB D&C Work to construct the Construction Project and to maintain it during construction and to achieve Substantial Completion by the DB Substantial Completion Deadline and Final Acceptance by the DB Final Acceptance Deadline;

(ii) ensure that all DB D&C Work is performed in accordance with the Requirements and Provisions for Work, the Released For Construction Documents and the other Contract Documents;

(iii) ensure that the project director, or a designated person thereof previously approved by the Port Authority, is present at all times during the performance of any DB Construction Work to perform the obligations required under the DB Project Documents;

(iv) comply with, and require that all DB Subcontractors, suppliers and other Persons performing any of the DB D&C Work comply with, all requirements of all Applicable Laws, Applicable Standards and governmental approvals;

(v) cooperate with the Port Authority, the Borrower and Governmental Entities with jurisdiction in all matters relating to the DB D&C Work, including their review, inspection, testing and oversight of the design and construction (including demolition activities) of the Construction Project as required pursuant to the Design-Build Contract or by Applicable Law, Applicable Standards and governmental approvals, and use Reasonable Efforts to assist the Borrower in complying with the Borrower's obligations under the Lease Agreement;

(vi) in relation to the DB D&C Work, exercise Reasonable Efforts to mitigate any delay and any damages due to delay regardless of the cause of the delay, including by re-sequencing, reallocating, or redeploying the Design-Builder's and its DB Subcontractors' and suppliers' employees to other work, as appropriate, and to comply with any steps reasonably requested by the Borrower to mitigate such delay and damages (subject to the right to compensation for such mitigation efforts in the event such delay or damages are attributable to a Developer Act or a Developer Suspension, or entitle the Design-Builder to Equivalent Project Relief;

(vii) give all notices to the Borrower for submission to the FAA, and obtain all determinations required to be given or obtained from the FAA, with respect to construction, construction equipment and improvements on the Premises, and prepare and submit to the Borrower for submission to the FAA all materials required to update and maintain such notifications and determinations as needed;

(viii) install, maintain and operate (or cause its DB Subcontractors to install, maintain and operate) at its own expense such obstruction lights on the Premises as required by the FAA or as the General Manager of the Airport may direct, and energize such lights daily as required or advisable by the FAA and for such other period as may be directed or requested by the air-traffic control tower of the Airport;

(ix) undertake works or activities associated with the correction of any DB Work Defects as required pursuant to the Design-Build Contract;



- (x) keep the DB Work and Staging Area clean and orderly;
- (xi) ensure that the airport operational parameters set forth in the Design-Build Contract are satisfied throughout the Construction Period in relation to the DB D&C Work, except as may be authorized with the prior written approval of the Borrower;
- (xii) to the extent not inconsistent with its other rights and obligations under the Design-Build Contract (and without expanding its liability thereunder), comply with the health, safety and environmental standards set forth in the Design-Build Contract;
- (xiii) in addition to the responsibilities with respect to submittals set forth in the Design-Build Contract, provide (upon reasonably sufficient prior written notice from the Borrower) such further information as the Borrower may reasonably request (or otherwise cooperate with the Borrower in a manner consistent with and reasonably inferable from the Design-Build Contract or the Lease Agreement), at the Design-Builder's sole cost, to enable the Borrower to exercise its rights under the Lease Agreement with respect to the DB D&C Work; provided that the Design-Builder will not be required to take any action that constitutes a breach of the Design-Build Contract; and
- (xiv) fulfill the construction management obligations with regard to airline fit-out and retail space in accordance with the Design-Build Contract.

#### ***Suspension of the D&C Work***

Pursuant to the Lease Agreement, the Port Authority will at any time have the right and authority, in whole or in part, to suspend the D&C Work by written order to the Borrower, and any such written order from the Port Authority must be supported by the Port Authority's reasons for the required suspension of the D&C Work. The Borrower will be required to provide the Design-Builder with a copy of each such written suspension order relating to the DB D&C Work as soon as practicable and in any event no later than two (2) business days after the Borrower's receipt thereof from the Port Authority (or if less than two (2) business days is provided by the Port Authority for compliance with such order to suspend, then as soon as practicable and in advance of the provided deadline).

Pursuant to the Lease Agreement, the Port Authority will not have any liability to the Borrower for any such suspension of the D&C Work by the Port Authority made in response to: (i) any failure by any Borrower-Related Entity to comply with any Applicable Law, Applicable Standard or governmental approval or obtain any governmental approval required to be obtained by the Borrower; (ii) the existence of conditions unsafe for workers, other personnel or the general public, including failures by a Borrower-Related Entity to comply with safety standards or perform safety compliance as set forth in the Design-Build Contract; (iii) a declared emergency issued pursuant to Applicable Law by the Port Authority police or any other Governmental Entity (to the extent not a Force Majeure Event with respect to the Borrower), if caused by a Borrower-Related Entity; (iv) a significant incident involving one or more casualties requiring hospitalization or treatment by a medical professional or one or more fatalities caused by the failure of any Borrower-Related Entity to comply with any Applicable Law or Applicable Standard or any requirements of the Project Documents; (v) the presence of a "VIP," dignitary or other person requiring special security arrangements or expedited handling at the Airport; or (vi) the exercise of other suspension rights expressly set forth in the Project Documents resulting from any Borrower-Related Entity's failure to comply with any requirement of the Project Documents.

Any other suspension order will entitle the Borrower to claim a Compensation Event and a Delay Event in accordance with the terms of the Lease Agreement and any suspension order made in response to

matters referred to in clauses (i) and (v) above will cease to apply as soon as the relevant matter has been rectified or remedied to the reasonable satisfaction of the Port Authority, and the Design-Builder will be entitled to make a corresponding claim for Equivalent Project Relief pursuant to the Design-Build Contract. Further, any suspension of the DB D&C Work by the Port Authority made in response to an event listed in (i) through (iv) or (vi) above will constitute a Developer Act if the Borrower-Related Entity is the Borrower or its contractors (other than the Design-Builder or any DB Party).

In addition to the Port Authority's right to suspend the D&C Work as described above, the Borrower will also have the right at any time and for any other reason to require the Design-Builder to suspend performance of the DB D&C Work or any portion thereof by giving prior written notice to the Design-Builder (a "Developer Suspension"). Prior to a Developer Suspension of the DB D&C Work pursuant to this paragraph, the Borrower will be required to provide the Design-Builder with written notice of such intent at least five (5) days in advance. The Borrower may also unilaterally order the Design-Builder to resume performance of the DB D&C Work or any such portion thereof at any time during the Developer Suspension; provided, however, that upon ordering the Design-Builder to resume the DB D&C Work, the Borrower will be required to compensate the Design-Builder for the reasonable costs that resulted from such Developer Suspension (including any direct costs, payments to DB Subcontractors and suppliers, demobilization and re-mobilization costs, and any other costs incurred by the Design-Builder in connection with Design-Builder efforts to accelerate the DB D&C Work to the extent such acceleration is requested by the Borrower and such other costs are approved in advance by the Borrower) and, subject to the terms of the Design-Build Contract, will be required to grant the Design-Builder additional time for performance of its contractual obligations reflecting the delay resulting from such suspension, having made due allowance for any such acceleration of the DB D&C Work. Once such payment is made, the Design-Builder will be required to continue its performance. Further, the Design-Builder will have the right to terminate the Design-Build Contract as a result of a Developer Suspension under the circumstances described in the applicable provisions of the Design-Build Contract.

#### ***Port Authority Oversight; Inspections of Construction Work Generally***

Pursuant to the Lease Agreement, the Port Authority will have the right, through its duly authorized representatives, to inspect the Construction Work and the plans and specifications thereof, at any and all times during the progress thereof and from time to time, in its sole discretion, to take samples and perform testing in any part of the Construction Work, in each case without interfering with the Construction Work or operation of the Premises to the extent reasonably practicable.

Subject to the provisions of the design review protocol set forth in the Design-Build Contract, neither the Port Authority nor the Borrower has any duty or obligation of any kind whatsoever to inspect or police the performance of the DB Construction Work by the Design-Builder, and the rights granted to the Port Authority under the Lease Agreement and the Borrower under the Design-Build Contract will not create or be deemed to create such a duty or obligation. Accordingly, the fact that the General Manager has not exercised the Port Authority's right to require the Borrower to cease all or any part of the Construction Work will not be or be deemed to be an agreement or acknowledgment on the part of the Port Authority that the Design-Builder has in fact performed such portion of the Construction Work constituting DB Construction Work in accordance with the terms of the Lease Agreement or the construction plan, nor will such fact be or be deemed to be a waiver by the Port Authority or the Borrower from the requirement of compliance by the Design-Builder with the provisions of the Lease Agreement or the Design-Build Contract, respectively, with respect to the DB Construction Work and the construction plan.

Pursuant to the Lease Agreement, the Port Authority will have the right at all reasonable times upon reasonable prior notice to enter upon the Premises and the areas subject to the Temporary Rights of

Access for, among other things, the purpose of conducting oversight (including performing periodic evaluations of, inter alia, any aspect of the D&C Work and condition and code conformance of electrical, mechanical, structural and fire and life safety systems) and observing the performance by the Design-Builder of its obligations under the Design-Build Contract and the other Contract Documents (including the Design-Builder's obligations to comply with the Requirements and Provisions for Work and Rules and Regulations); provided that (1) in the case of an emergency, the Port Authority will not be required to give either the Borrower or the Design-Builder prior notice of its intention to enter any area of the Premises or the areas subject to the Temporary Rights of Access; and (2) the Port Authority's oversight will not excuse, or affect the Port Authority's right to rely on, the Borrower's performance of its obligations pursuant to the Lease Agreement (which includes the Design-Builder's performance of its obligations pursuant to the Design-Build Contract). The Design-Builder will be required to grant the Port Authority and such other authorized Persons entry to the DB Work and Staging Area as and when required by, and for the purposes set forth in, the Lease Agreement.

Pursuant to the Lease Agreement, (i) nothing in this section will be construed to impose upon the Port Authority any obligation to construct or maintain or to make repairs, replacements, alterations or additions, or will create any liability for any failure to do so and (ii) the Port Authority will not in any event be liable for any injury or damage to any property or to any person occurring on or about the Premises or the areas subject to the Temporary Rights of Access or for any injury or damage to the Premises or the D&C Work (except as expressly provided in the Lease Agreement and other than those injuries or damages occasioned by the willful misconduct or gross negligence of the Port Authority, its employees, agents and authorized representatives).

Pursuant to the Lease Agreement, the Port Authority, in the Port Authority's capacity as landlord under the Lease Agreement, has agreed that it will not, and will cause each director, officer, employee, agent or contractor not to, unreasonably interfere with the Work or the use and occupancy of the Premises in the course of performing oversight and otherwise exercising the Port Authority's rights of entry under the Lease and that the Port Authority will use Reasonable Efforts to minimize the effect and duration of any disruption to or impairment of the Work or the use and occupancy of the Premises; provided, that the Port Authority's exercise of its rights in accordance with the terms and conditions of the Lease Agreement will not by itself constitute interference with the Work or the use and occupancy of the Premises. The Design-Builder will be required to cooperate fully with the Port Authority to facilitate the entry of the Port Authority to the DB Work and Staging Area and the exercise by the Port Authority of its rights with respect thereto.

Pursuant to the Lease Agreement, (1) the Port Authority has the right to be compensated for the oversight services and functions it has the right or obligation to perform or cause to be performed under the Lease Agreement, including the monitoring, review, approval, administration and audit of the D&C Work and (2) such compensation will be in an amount equal to \$3,000,000 per calendar year during the Construction Period, which amount will be pro-rated for the first and last years of the Construction Period based on the ratio of the number of days in such year that fall within the Construction Period to the total number of days in such calendar year; provided, that (i) any oversight costs associated with any Port Authority change or Directive Letter will be for the account of the Port Authority only. Such compensation will be paid by the Borrower, subject to the exceptions described below.

Pursuant to the Lease Agreement (1) if, at any time, the Borrower has failed to perform any of the Work in any material respect (individually or in the aggregate), then, in addition to and without limiting any other remedies available pursuant to the Lease Agreement and the other Project Documents, but subject to the provisions set forth below, the Port Authority, with prior written notice to the Borrower, will be entitled to increase the Port Authority's oversight of the Work in such manner and to such level as the Port Authority deems appropriate, until such time as the Borrower has demonstrated to the Port

Authority's reasonable satisfaction that the Borrower will resume performance of, and is capable of performing, the Work in compliance with the Lease Agreement and (2) if the Port Authority increases or otherwise changes the manner of its oversight pursuant to the Lease Agreement, then the Borrower will be required to pay and reimburse the Port Authority within thirty (30) days after receipt of written demand therefor and reasonable supporting documentation, all recoverable costs associated with the increased or changed level of oversight that are identified in the Lease Agreement (which includes a 15% mark-up of such costs by the Port Authority). In the event a Developer Act has caused the need for increased oversight, the Borrower will be responsible for payment of any oversight costs for which the Port Authority may be compensated as established by terms of the Lease Agreement, and the Borrower will be required to reimburse the Design-Builder for any such costs the Design-Builder has incurred. In all other cases, the Design-Builder will be responsible for payment of any oversight costs (other than those described above) for which the Port Authority may be compensated as established by the Lease Agreement, and the Design-Builder will reimburse the Borrower for any such costs the Borrower has incurred.

Prior to any increase in the Port Authority's oversight of the Work, the terms of the Lease Agreement (1) permit the Borrower to submit a cure plan describing specific actions that the Borrower will undertake to improve its performance and avoid the need for increased oversight, which cure plan the Port Authority is permitted to accept or reject at its sole discretion and (2) provide that, if the Port Authority accepts any such cure plan, the Port Authority will not increase its oversight of the Work that is the subject of the cure plan so long as the Borrower is in compliance with such cure plan. If the Borrower is permitted to submit a cure plan pursuant to the Lease Agreement to avoid the need for increased oversight pursuant to the Lease Agreement, both parties (including the party that is not responsible for causing the need for increased oversight) will be required to use Reasonable Efforts to prepare and submit such cure plan to the Port Authority pursuant to the Lease Agreement, and, pursuant to the Lease Agreement, the Port Authority will have sole discretion in the approval of such cure plan (without any further approval rights granted to the non-responsible party under the Design-Build Contract).

The Design-Builder will enter into a reimbursement agreement with the FAA relating to the Construction Project; however, the Design-Builder will have no responsibility or liability for any and all management or administration charges, fees, costs or expenses whatsoever imposed, or sought to be reimbursed, by the FAA pursuant to such reimbursement agreement other than (i) any such amounts up to the allowance for such amounts set forth in the Design-Build Contract and (ii) any such amounts that are the result of a failure by the Design-Builder to comply with its obligations in the Design-Build Contract.

The Design-Builder's responsibility for traffic mitigation measures will be limited to those mitigation measures required in connection with the Design-Builder's occupation of a particular DB Work and Staging Area or otherwise required in connection with and required for its DB D&C Work.

### ***Partial Completion***

Without affecting the obligations of the Design-Builder under the Design-Build Contract to achieve Substantial Completion as evidenced by the Port Authority's issuance of the Certificate of Substantial Completion, in the event the Design-Builder contemplates, in the sequencing of its DB Construction Work, that it will complete all of the DB D&C Work in connection with any portion of the Construction Project prior to completing all of the DB D&C Work required to achieve Substantial Completion, the Design-Builder will inform the Borrower in writing of such contemplated partial completion and coordinate with the Borrower in accordance with the terms of the Design-Build Contract to seek the issuance by the Port Authority of a TCAO with respect to the New Facilities Construction Milestone or any Construction Segment, as applicable.

If the Design-Builder subsequently makes any additional, material modifications (other than tenant fit-out) to such portion of the Construction Project referenced above, a new TCAO will be required pursuant to Design-Build Contract before such additional modifications may be brought into use by the Borrower, Patrons, the Port Authority and other third parties. Notwithstanding the foregoing, the Design-Builder, its DB Subcontractors and suppliers may continue to use the DB Work and Staging Area and the areas subject to the Temporary Rights of Access to perform the DB D&C Work or tenant fit-out, exercise their rights hereunder and fulfill the Design-Builder's other obligations hereunder; provided, that the Design-Builder will comply with the provisions of the Design-Build Contract in conducting all remaining DB D&C Work.

Pursuant to the Lease Agreement, the Port Authority is required, following the Borrower's request, to issue a TCAO when each of the following conditions (as set forth more fully in the Design-Build Contract) has been satisfied:

(i) all equipment and systems will have been installed, commissioned and activated by the Design-Builder as required for the applicable portion of the Construction Project in accordance with the design and construction requirements and the TCAP and such applicable portion is otherwise complete for purposes of tenant fit-out in compliance with a phasing approved by the Port Authority in accordance with the terms of the Design-Build Contract;

(ii) the Design-Builder has completed the relevant DB D&C Work in accordance with the Construction Documents, the Released for Construction Documents and the requirements of the Contract Documents, excluding only punch list items and, if any, additional Design-Builder punch list items in accordance with the terms of the Design-Build Contract;

(iii) the Design-Builder has provided all necessary Design-Builder Governmental Approvals and has obtained and furnished to the Borrower for submission to the Port Authority accurate and complete copies of such Design-Builder Governmental Approvals, and such Design-Builder Governmental Approvals will be final and non-appealable, and there will exist no uncured violation of the terms and conditions of any such Design-Builder Governmental Approval and (y) the Design-Builder will be required to cooperate with the Borrower as set forth in the Design-Build Contract with respect to all other governmental approvals required by the Lease Agreement;

(iv) with respect to the applicable portion of the Construction Project, all applicable conditions set forth in terms of the TCAP (including (1) acceptance by the Port Authority of the engineer of record or the architect of record's certification of completion and the conformed set of documents of the D&C Work required under the Lease Agreement, which is the subject of the request for the TCAO, for the respective portion of the Construction Project and (2) satisfactory Port Authority inspections) been satisfied and the Design-Builder will be required to cooperate and coordinate its efforts in all respects to facilitate the Port Authority's inspection of such portion of the Construction Project (including any portion that is otherwise complete for purposes of tenant fit-out) and the Port Authority's audit review of all compliance related documents in accordance with the TCAP;

(v) all certifications for (1) the relevant parts of the final design documents and (2) all mechanical, electrical, electronics and other systems, in each case, for the applicable portion of the Construction Project have been made by the Design-Builder and delivered to the Borrower (for submission to the Port Authority) in accordance with the requirements of the Contract Documents;

(vi) (x) the Design-Builder has provided the Borrower with copies of any training records and course completion certificates issued to any of the relevant personnel by the Design-Builder or its DB Subcontractors; and (y) the Design-Builder has provided assistance and documentation as may be reasonably requested by the Borrower in order to facilitate the Borrower's certification that the Borrower has completed necessary training of personnel that will be performing the Operations and Maintenance Work associated with the applicable portion of the Construction Project and other necessary personnel (which assistance and documentation will not relieve the Borrower of its obligation to make such certification under this clause (y) to comply with the terms of the Lease Agreement;

(vii) the Design-Builder has complied with all other aspects of the Contract Documents with respect to completion of the relevant DB D&C Work;

(viii) all Submittals with respect to the relevant portion of the DB D&C Work (including the reports of special inspection) required to be submitted by the Contract Documents have been submitted to the Borrower for submission to the Port Authority and, if required under the Contract Documents, approved by the Port Authority;

(ix) (x) the Design-Builder has prepared, completed, and submitted to the Borrower for submission to the Port Authority for approval any such plans, procedures, manuals (including relevant portions of the operations and maintenance manual), reports, or relevant portions thereof, and submittals as may be the responsibility of the Design-Builder hereunder; and (y) with respect to the New Facilities, the Design-Builder has provided such other assistance and documentation as may reasonably be requested by the Borrower in order to facilitate the Borrower's preparation, completion and submission to the Port Authority for approval of the remainder of all such plans, procedures, manuals and reports, including applicable portions of the operations and maintenance manual, and other submittals required for performing the Operations and Maintenance Work associated with the applicable portion of the Premises during the O&M Period and/or performing tenant fit-out (if such fit-out has not commenced as at the date of the request) as required by the Lease Agreement;

(x) the Design-Builder has prepared, (A) in consultation with the Borrower and the Port Authority, and submitted to the Borrower, for submission to the Port Authority, the punch list in respect of the applicable portion of the Construction Project in accordance with the procedures and schedules set forth in the project management and execution plan and such punch list has received Port Authority approval and (B) in consultation with the Borrower, the Design-Builder punch list in respect of the applicable portion of the Construction Project and such Design-Builder punch list have been approved by the Borrower; and

(xi) any New Improvements or any portion of the New Improvements that constitutes a Construction Segment that is necessary for the normal use, operation and maintenance of the applicable portion of the Construction Project have been completed by the Design-Builder and the Design-Builder has satisfied all applicable conditions to Partial Completion set forth in the Design-Build Contract with respect to such New Improvements or Construction Segment, as the case may be.

With respect to a phased occupancy area, upon the satisfaction by the Design-Builder of all applicable conditions and requirements set forth in the terms of the TCAP. In accordance with the requirements of the TCAP, the Design-Builder's architect of record or engineer of record will request a partial inspection of any phased occupancy area and the Design-Builder will be required to cooperate and coordinate its efforts in all respects to facilitate the Port Authority's inspection of any phased occupancy

area and the Port Authority's audit review of all compliance related documents in accordance with the TCAP.

The parties will coordinate with each other and the Port Authority in accordance with the Design-Build Contract in satisfying the conditions to the Port Authority's issuance of the TCAO set forth in the Design-Build Contract, including providing such assistance and documentation to each other as may be reasonably required to enable the parties to satisfy such conditions as must be satisfied by each such party, subject to the Subcontracting Restrictions.

The parties will comply with the notice, submittal and review procedures set forth in the Design-Build Contract in the determination of whether Partial Completion has been achieved.

Pursuant to the Lease Agreement, the Port Authority is required, within thirty (30) days of receipt of the Borrower's written notification and all required documentation and submittals per the Project Documents, to conduct an inspection of the applicable portion of the Construction Project, a review of the applicable final design documents and Construction Documents or the applicable portions thereof and such other investigation as may be necessary to evaluate whether Partial Completion of the applicable New Facilities Construction Milestone or Construction Segment has been achieved.

Within the thirty (30)-day period referenced above, the Port Authority will be required to either (i) issue a TCAO regarding the applicable New Facilities Construction Milestone or Construction Segment, effective as of the date that the Port Authority accepts that all conditions to Partial Completion were satisfied or (ii) notify the Borrower in writing of the reasons why the conditions to Partial Completion have not been satisfied, subject to the terms of the Design-Build Contract. If any of the Borrower, the Design-Builder or the Port Authority cannot agree as to the occurrence of Partial Completion, the matter will be subject to dispute resolution pursuant to the terms of the Design-Build Contract, as applicable. If the Port Authority fails to issue a TCAO within such 30-day period and all conditions to issuance of such TCAO have been fully satisfied, and such delay is not a result of a Force Majeure Event with respect to the Port Authority, such delay will constitute a Delay Event and a Compensation Event, and the Borrower will be entitled to Borrower Damages, if any.

Pursuant to the Lease Agreement, once the Port Authority issues a TCAO with respect to Partial Completion of any of the New Improvements (or any portion of the New Improvements that constitutes a Construction Segment), upon such issuance, (i) the Borrower is required to promptly transfer control of the applicable New Improvement or Construction Segment, as the case may be, to the Port Authority for the permanent operation and maintenance by the Port Authority and (ii) the Borrower will have no further obligations to the Port Authority with respect to such New Improvement or Construction Segment and the associated Temporary Rights of Access except (A) as required to satisfy the conditions to Final Acceptance set forth in the Design-Build Contract (provided, that solely for the purpose of processing such Final Acceptance, all reference to the Construction Project will be changed to reference the applicable New Improvement or Construction Segment, as the case may be) and (B) as required by the terms of the Lease Agreement. The Design-Builder will take all steps necessary to enable the Borrower to comply with clause (i) in the preceding sentence, and upon such transfer to the Port Authority, the Design-Builder will have no further obligations with respect to such New Improvement or Construction Segment, as the case may be, and the associated Temporary Rights of Access except (A) as required to satisfy the conditions to Final Acceptance set forth in the Design-Build Contract (provided, that solely for the purpose of processing such Final Acceptance, all reference to the Construction Project will be changed to reference the applicable New Improvement or Construction Segment, as the case may be) and (B) as required by the Lease Agreement. The Design-Builder will also provide to the Borrower as-built documents for the applicable scope of work no later than sixty (60) days after issuance of the TCAO of a particular New Facilities Construction Milestone.

### ***Substantial Completion***

Pursuant to the Lease Agreement, the Port Authority is required to issue, following the Borrower's request and within the time periods set forth in the Lease Agreement, a Certificate of Substantial Completion after the Port Authority has determined that each of the conditions listed below for Substantial Completion (as set forth more fully in the Lease Agreement) has been satisfied. In particular, the Design-Builder will be responsible for the following items, to the extent required in connection with the DB D&C Work, and subject to the terms of the Design-Build Contract:

(i) other than punch list items and, if any, additional Design-Builder punch list items, the Design-Builder has completed all DB D&C Work in accordance with the requirements of the Construction Documents, the Released for Construction Documents and the other Contract Documents;

(ii) (A) all certifications for the final design documents and all mechanical, electrical, electronics and other systems have been received in accordance with the requirements of the Contract Documents (provided, that LEED certification shall not be a condition to Substantial Completion); and (B) inspection reports for the New Facilities have been made in accordance with the requirements of the Contract Documents

(iii) the Design-Builder has certified to the Borrower that all DB D&C Work (other than punch list items and, if any, additional Design-Builder punch list items) has been completed in accordance with the requirements of the Contract Documents;

(iv) the Design-Builder has certified that the Design-Builder has received, and paid all associated fees due and owing for, all Design-Builder Governmental Approvals relating to the New Facilities and has obtained and furnished to the Borrower for submission to the Port Authority accurate and complete copies of such Design-Builder Governmental Approvals, and such Design-Builder Governmental Approvals will be final and non-appealable, and there will exist no uncured violation of the terms and conditions of any such Design-Builder Governmental Approval, and the Design-Builder will cooperate with the Borrower as set forth in the Design-Build Contract with respect to all other governmental approvals required by the Lease Agreement;

(v) the Design-Builder has prepared, completed, and submitted to the Borrower for submission to the Port Authority for approval any such plans, procedures, manuals (including relevant portions of the operations and maintenance manual), reports, or relevant portions thereof, and submittals as may be the responsibility of the Design-Builder hereunder; and the Design-Builder has provided such other assistance and documentation as may reasonably be requested by the Borrower in order to facilitate the Borrower's preparation, completion and submission to the Port Authority for approval of the remainder of all such plans, procedures, manuals and reports, including the operations and maintenance manual, for Operations and Maintenance Work to be performed during the O&M Period as required by the Lease Agreement;

(vi) all other submittals required to have been provided by the Design-Builder with respect to the DB D&C Work prior to or on the Substantial Completion Date as set forth in the Design-Build Contract, the schedule of submittals, the applicable Requirements and Provisions for Work or the other Contract Documents have been submitted by the Design-Builder to the Borrower for submission to the Port Authority, and, if required under the Contract Documents, approved by the Borrower and/or the Port Authority;



(vii) the Design-Builder has prepared, (A) in consultation with the Borrower and the Port Authority, and submitted to the Borrower, for submission to the Port Authority, the punch list in respect of the New Facilities in accordance with the procedures and schedules set forth in the project management and execution plan, and such punch list will have received Port Authority approval, which punch list will include any remaining items (if any) from the respective punch lists related to the New Facilities Construction Milestones that achieved Partial Completion prior to the date of the Substantial Completion notice and (B) in consultation with the Borrower, and submitted to the Borrower, the Design-Builder punch list in respect of the New Facilities and such Design-Builder punch list have been approved by the Borrower, which Design-Builder punch list will include any remaining items (if any) from the respective Design-Builder punch lists related to the New Facilities Construction Milestones that achieved Partial Completion prior to the date of the Substantial Completion notice;

(viii) (1) the Design-Builder will have provided the Borrower with copies of any training records and course completion certificates issued to any of the relevant personnel by the Design-Builder or its DB Subcontractors; and (2) the Design-Builder will have provided assistance and documentation as may be reasonably requested by the Borrower in order to facilitate the Borrower's certification that the Borrower has completed necessary training of personnel that will be performing the Operations and Maintenance Work at the New Facilities and other necessary personnel;

(ix) any DB Work Defects in any portion of the Construction Project, including any Construction Segment or New Facilities Construction Milestone, existing during the applicable Warranty Period, the repair and rehabilitation of which is the responsibility of the Design-Builder (or a DB Subcontractor on its behalf) pursuant to the obligations set forth in Design-Build Contract have been rectified in full, or are in the process of being rectified, in each case, to the Borrower's and the Port Authority's satisfaction.

Pursuant to the Lease Agreement, the Port Authority is required to issue, following the Borrower's request and within the time periods set forth in the Lease Agreement, a written certificate that the Borrower has achieved Central Hall Substantial Completion (the "Certificate of Central Hall Substantial Completion") after the Port Authority has determined that the Borrower has satisfied all of the conditions for Central Hall Substantial Completion set forth in the Lease Agreement. The parties will coordinate with each other and the Port Authority in satisfying the conditions to the Port Authority's issuance of the Certificate of Central Hall Substantial Completion, including providing such assistance and documentation to each other as may be reasonably required to enable the parties to satisfy such conditions as must be satisfied by each such party. In particular, the Design-Builder will be responsible for the following items, to the extent required in connection with the DB D&C Work with respect to the Central Hall, and subject to the Subcontracting Restrictions:

(i) other than punch list items and, if any, Design-Builder punch list items, the Design-Builder has completed all DB D&C Work with respect to the Central Hall in accordance with the requirements of the Construction Documents, the Released for Construction Documents and the other Contract Documents;

(ii) all inspection reports with respect to the Central Hall will have been made in accordance with the requirements of the Contract Documents;

(iii) the Design-Builder has certified to the Borrower that all DB D&C Work with respect to the Central Hall (other than punch list items and, if any, additional Design-Builder

punch list items) has been completed in accordance with the requirements of the Contract Documents;

(iv) the Design-Builder has certified that the Design-Builder has received, and paid all associated fees due and owing for, all Design-Builder Governmental Approvals relating to the Central Hall and has obtained and furnished to the Borrower for submission to the Port Authority accurate and complete copies of such Design-Builder Governmental Approvals, and such Design-Builder Governmental Approvals will be final and non-appealable, and there will exist no uncured violation of the terms and conditions of any such Design-Builder Governmental Approval;

(v) all submittals required to have been provided by the Design-Builder with respect to the DB D&C Work with respect to the Central Hall prior to the date of the Central Hall Substantial Completion as set forth in the Design-Build Contract, the Central Hall Requirements and Provisions for Work or the other Contract Documents have been submitted by the Design-Builder to the Borrower for submission to the Port Authority and, if required under the Contract Documents, approved by the Borrower and/or the Port Authority;

(vi) the Design-Builder has prepared, (A) in consultation with the Borrower and the Port Authority and submitted to the Borrower, for submission to the Port Authority, the punch list with respect to the Central Hall in accordance with the procedures and schedules set forth in the project management and execution plan and such punch list has received Port Authority approval and in consultation with the Borrower, and submitted to the Borrower, the Design-Builder punch list with respect to the Central Hall and such Design-Builder punch list has been approved by the Borrower;

(vii) (x) the Design-Builder has provided the Borrower with copies of any training records and course completion certificates issued to any of the relevant personnel by the Design-Builder or its DB Subcontractors; and (y) the Design-Builder has provided assistance and documentation as may be reasonably requested by the Borrower in order to facilitate the Borrower's certification that the Borrower has completed necessary training of personnel that will be performing the Operations and Maintenance Work at the Central Hall.

The parties will comply with the notice, submittal and review procedures set forth in the Design-Build Contract in the determination of whether Substantial Completion or Central Hall Substantial Completion, as applicable, has been achieved.

Pursuant to the Lease Agreement, the Port Authority is required, within thirty (30) days of receipt of the Borrower's written notification, all required supporting documentation and all submittals required to be provided in accordance with the Project Documents, to conduct an inspection of the Construction Project and its components, a review of the final design documents, final Construction Documents, other submittals and reports, and such other investigation as may be necessary to evaluate whether Substantial Completion or Central Hall Substantial Completion, as applicable, has been achieved.

Within the thirty (30)-day period referenced above, the Port Authority will be required to either (i) issue the Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion, as applicable, effective as of the date the Port Authority accepts that all the conditions to Substantial Completion or Central Hall Substantial Completion, as applicable, were satisfied or (ii) notify the Borrower in writing of the reasons why the conditions to Substantial Completion or Central Hall Substantial Completion, as applicable, have not been satisfied, subject to the terms of the Design-Build Contract. If any of the Borrower, the Design-Builder or the Port Authority cannot agree as to the

occurrence of Substantial Completion, the matter will be subject to dispute resolution pursuant to the terms of the Design-Build Contract. If the Port Authority fails to issue a TCAO within such 30-day period and all conditions to issuance of such TCAO have been fully satisfied, and such delay is not a result of a Force Majeure Event with respect to the Port Authority, such delay will constitute a Delay Event and a Compensation Event, and the Borrower will be entitled to Borrower Damages, if any.

Pursuant to the Lease Agreement, in connection with the Port Authority's issuance of the Certificate of Substantial Completion or Certificate of Central Hall Substantial Completion, as applicable, the Port Authority will have the right in its reasonable discretion to add or remove items to or from the punch list.

### ***Final Acceptance***

Pursuant to the Lease Agreement, the Port Authority is required to issue, following the Borrower's request and within the time periods set forth in the Lease Agreement, a written certificate that the Borrower has achieved Final Acceptance (the "Certificate of Final Acceptance") after the Port Authority has determined that each of the conditions for Final Acceptance listed below (as set forth more fully in the Lease Agreement) with respect to the entire Construction Project has been satisfied. In particular, the Design-Builder will be responsible for the following items, to the extent required in connection with the DB D&C Work, and subject to the terms of the Design-Build Contract:

(i) all conditions to Substantial Completion or Central Hall Substantial Completion related to the DB D&C Work have remained satisfied;

(ii) all punch list items and, unless agreed in writing to the contrary between the Design-Builder and the Borrower, Design-Builder punch list items, in each case related to the DB D&C Work, have been completed in accordance with the requirements of the Contract Documents;

(iii) the Design-Builder has certified to the Borrower that the Design-Builder has acquired and delivered to the Borrower all properly stored, or arranged for adequate levels of readily available spare parts, resources and equipment necessary for maintenance of the Premises as identified in the capital asset management plan for the O&M Period;

(iv) all submittals for the DB D&C Work (including (A) those required pursuant to the Design and Construction Requirements relating to sustainable design and (B) the reports of special inspection) that the Design-Builder is required by the Contract Documents to submit after Substantial Completion or Central Hall Substantial Completion, as applicable, but before Final Acceptance have been submitted to the Borrower for submission to the Port Authority and, if required under the Contract Documents, approved by the Port Authority;

(v) the Borrower has received from the Design-Builder, for submission to the Port Authority, a complete set of the Record Documents for the DB D&C Work related to the entire Construction Project, including two (2) sets of as-built drawings of the DB Construction Work in an electronic CADD data file in a format to be designated by the Port Authority, all of which conform to the specifications of the Port Authority in the Contract Documents (the receipt of a copy of said specifications prior to the execution of the Design-Build Contract being hereby acknowledged by the Design-Builder), together with two (2) complete hard copies of such drawings, all engineering reports, engineering analysis, boring logs, survey information, and engineering design calculations and the relevant portions of the operations and maintenance manual in a comprehensive, coordinated package;

(vi) if any Governmental Entity with jurisdiction requires any form of certification of design, engineering or construction with respect to the Construction Project or any portion thereof, including any certifications from the engineer of record or the architect of record, as applicable, for the Construction Project and certificates of occupancy, the Design-Builder has concurrently issued identical certificates to the Borrower and Port Authority;

(vii) subject to clause (viii) below, the Design-Builder has restored to their original condition any lands to which the Design-Builder was granted access hereunder for temporary access and other activities not part of the permanent work;

(viii) all aesthetic and landscaping work, with the exception of vegetative ground covering, has been completed and is operational, including aesthetic lighting;

(ix) all demobilization from relevant parts of the Construction Project has been completed, including the removal of temporary work and equipment used in performance of the DB Construction Work but not required for the Operations and Maintenance Work;

(x) the Design-Builder has certified to the Borrower in writing that no overdue amounts owing to any DB Subcontractor or supplier remain unpaid (except disputed amounts for which the Design-Builder or the DB Subcontractor, as applicable, has established adequate reserves);

(xi) subject to the Port Authority's right under the Design-Build Contract to withhold amounts sufficient to discharge payment to the Borrower if the Borrower is unable to provide all releases and lien waivers required in connection with the disbursement of Port Authority Funding or to provide a letter of credit or bond that has received Port Authority approval to protect the Port Authority, the Construction Project and the Premises from any and all claims and liens arising out of or in connection with the performance of the D&C Work by the Borrower or any of the contractors, the Design-Builder has (A) certified to the Borrower in writing that the Premises are free and clear of all liens or claims arising out of or in connection with the performance of the DB D&C Work by the Design-Builder or any of the DB Subcontractors, and (B) delivered to the Borrower final lien waivers, in form and substance satisfactory to the Borrower and the Port Authority, from each the Design-Builder and each DB Subcontractor, other than Excepted DB Subcontractors, as necessary to support the Design-Builder's certification required by clause (A), or, if the Design-Builder is unable to obtain all such waivers, a letter of credit or bond that has received Port Authority approval to protect the Port Authority, the Borrower, the Construction Project and the Premises from any and all claims and liens arising out of or in connection with the performance of the DB D&C Work by the Design-Builder or any of the DB Subcontractors;

(xii) all obligations of the Design-Builder associated with Design-Builder Governmental Approvals applicable to the DB Construction Work have been completed, including the payment to any permitting agency of any amounts due pursuant to the terms of or as a result of any breaches of Design-Build Governmental Approvals by the Design-Builder; and (y) the Design-Builder will cooperate with the Borrower with respect to all other governmental approvals required by the Lease Agreement;

(xiii) with respect to any New Facilities Construction Milestone or any Construction Segment related to the DB D&C Work that achieved Partial Completion, all conditions set forth in the terms of the TCAP have been satisfied and the Port Authority has issued the Final Certificate of Authorization to Occupy or Use in accordance with such sections of the TCAP; and

(xiv) with respect to the individual concession spaces in the New Facilities intended to be subleased to airline sublessees (to the extent of any subleases for portions of the New Facilities related to airline passenger services), the fit-out of any such concession spaces in accordance with the initial configuration set forth in the revised comprehensive concessions plan delivered by the Borrower to the Port Authority pursuant to the terms of the Lease Agreement that was not completed prior to Substantial Completion or Central Hall Substantial Completion, as applicable, has been completed.

The parties will comply with the notice, submittal and review procedures set forth in the Design-Build Contract in the determination of whether Substantial Completion or Central Hall Substantial Completion, as applicable, has been achieved.

Pursuant to the Lease Agreement, the Port Authority is required, within thirty (30) days of receipt of the Borrower's written notification, all required documentation and all submittals required to be provided in accordance with the Project Documents, to conduct an inspection of the punch list items, a review of the as-built drawings and such other investigation as may be necessary to evaluate whether all of the conditions to achieve Final Acceptance have been satisfied.

Within the thirty (30)-day period referred above the Port Authority will be required to either (i) issue a Certificate of Final Acceptance, effective as of the date the Port Authority accepts that all the conditions to Final Acceptance were satisfied or (ii) notify the Borrower in writing of the reasons why the conditions to Final Acceptance have not been achieved, subject to the terms of the Design-Build Contract. If any of the Borrower, the Design-Builder or the Port Authority cannot agree as to the occurrence of Final Acceptance, the matter will be subject to dispute resolution pursuant to the terms of the Design-Build Contract. If the Port Authority fails to issue a TCAO within such 30-day period and all conditions to issuance of such TCAO have been fully satisfied, and such delay is not a result of a Force Majeure Event with respect to the Port Authority, such delay will constitute a Delay Event and a Compensation Event, and the Borrower will be entitled to Borrower Damages, if any.

### ***Government Approvals***

The Design-Builder is solely responsible for securing, obtaining and maintaining all Design-Builder Governmental Approvals (including any revision, modification, amendment, supplement, renewal or extension thereof) required by Applicable Law, Applicable Standards, the Lease Agreement, or the DB Project Documents in connection with the performance of its obligations under the DB Project Documents. Design-Builder Governmental Approvals will be obtained prior to the time set forth in the Project Baseline Schedule for the commencement of the portion of the DB D&C Work to which such Design-Builder Governmental Approvals are applicable.

With respect to governmental approvals to be obtained or maintained by the Port Authority, which are set forth in more detail in the Lease Agreement, the Design-Builder is responsible for obtaining amendments, modifications, revisions or supplements to such governmental approvals necessary to reflect the requirements for the DB Construction Work based on the final design and/or means and methods should the final design and/or means and methods deviate from the basis upon which such governmental approval was initially granted by the applicable governmental entity.

In the event that the applicable governmental entity refuses to grant any such amendment, modification, revision or supplement or any such amendment, modification, revisions or supplement cannot be obtained in a form that is consistent with the final design and acceptable to the Port Authority in accordance with the requirements of the Lease Agreement, the Design-Builder will be responsible, at its own risk of delay and cost, for revising its final design and/or means and methods as necessary to

satisfy the requirements and conditions of the original such governmental approval or the amendment, modification, revision or supplement to such governmental approval as has been issued by such governmental entity, as applicable, and the Design-Builder will be required to perform the DB Construction Work in accordance therewith during the term.

Pursuant to the Lease Agreement, for avoidance of doubt, any amendments, modifications, revisions or supplements to any Port Authority governmental approval required to be obtained by the Borrower pursuant to the Lease Agreement will not provide the basis for any Compensation Event or Delay Event under the Lease Agreement, respectively, for any failure or delay of the Port Authority to obtain a Port Authority governmental approval that it is required to obtain pursuant to the Project Documents. Such limitation will also apply to any amendments, modifications, revisions or supplements to any Port Authority governmental approval required to be obtained by the Design-Builder pursuant to the section described above.

The Design-Builder will at all times perform its obligations under the Design-Build Contract in compliance with all governmental approvals and will be responsible for the satisfaction of all conditions of such governmental approvals in connection with such performance. The Borrower will use Reasonable Efforts to cooperate with the Design-Builder as necessary or appropriate to facilitate the Design-Builder obtaining Design-Builder Governmental Approvals; and the Design-Builder will use Reasonable Efforts to cooperate with the Borrower and the Port Authority as necessary and appropriate to facilitate the application by the Borrower for any governmental approvals that are identified in the Design-Build Contract as being obligations of the Borrower and that do not constitute Design-Builder Governmental Approvals and the application by the Port Authority of all governmental approvals to be obtained or maintained by the Port Authority, at the times and in the manner reasonably requested by the Borrower or the Port Authority, as applicable. If there are any Design-Builder Governmental Approvals that are legally required to be obtained by the Borrower rather than the Design-Builder, the Design-Builder will take such steps as may be necessary to enable the Borrower to obtain such Design-Builder Governmental Approvals or, if so requested by the Borrower, will obtain such Design-Builder Governmental Approval in the Borrower's name.

### ***Design and Construction Warranty***

The Design-Builder warrants and guarantees that (i) the design of the Construction Project will satisfy the requirements of the Design-Build Contract, the Requirements and Provisions for Work and the other Contract Documents with respect to the DB D&C Work; (ii) all DB D&C Work (except as described in clause (i) above), including materials and equipment furnished as part of the construction, will be (A) complete and conform to best management practice, (B) new (unless otherwise specified in the Design-Build Contract or in the Requirements and Provisions for Work), of good quality, in conformance with the Applicable Laws, Applicable Standards, the Design-Build Contract, the Requirements and Provisions for Work and the other Contract Documents, and (C) once completed, free of all DB Work Defects in design, materials and workmanship and fit for its intended purpose; and (iii) the final design documents with respect to the DB D&C Work, final Construction Documents and the Record Documents will (A) be accurate and complete, (B) comply with the requirements of the Contract Documents, and (C) accurately reflect the condition of the Construction Project as of Final Acceptance.

The Warranty with respect to the entire Construction Project (other than the Central Hall) will be for a term of one (1) year from the issuance by the Port Authority of the Certificate of Substantial Completion and with respect to the Central Hall, one (1) year from the issuance by the Port Authority of the Certificate of Central Hall Substantial Completion, or in each case for such other periods set out in the Design-Build Contract, but, with respect to any portion of the DB D&C Work that is repaired or replaced during such one (1)-year periods or such other periods set out in Design-Build Contract, respectively,

such term will be for one (1) year from the date of repair or replacement of such portion of the DB D&C Work or for such other period set out in Design-Build Contract, respectively; provided, that the Warranty with respect to any New Facilities Construction Milestone or any Construction Segment that has achieved Partial Completion prior to the Substantial Completion Date will commence from the issuance by the Port Authority of a TCAO with respect to such New Facilities Construction Milestone or Construction Segment, as applicable; and provided, further, that the Design-Builder will not have any Warranty obligations with respect to a New Improvement (or a portion thereof) once such New Improvement (or a portion thereof) has been turned over to the Port Authority as described in the Design-Build Contract and the related construction warranties have been assigned to the Port Authority as described in the Design-Build Contract.

If a DB Work Defect in the DB D&C Work encompassed by the Warranty has occurred during the applicable Warranty Period, then no later than thirty (30) days after the expiration of the Warranty Period, the Borrower will be entitled to require that the Design-Builder (or a DB Subcontractor on the Design-Builder's behalf), at its sole expense, rectify such DB Work Defects.

If the Design-Builder and the DB Subcontractor have failed to promptly rectify such DB Work Defect within the time permitted in the Design-Build Contract and if the Port Authority exercises its right to rectify such DB Work Defect itself in accordance with the Lease Agreement (or to engage a third party to rectify such DB Work Defect), then the Borrower will be entitled to receive from the Design-Builder payment or reimbursement of the resulting amount due to the Port Authority, which will be equal to one hundred fifteen percent (115%) of the Port Authority's out-of-pocket costs, expenses, damages, penalties and other charges directly paid or incurred to rectify such DB Work Defect (together with, but without duplication of, late charges calculated pursuant to the Design-Build Contract. If the Design-Builder fails to make such payment to the Borrower as required by the Design-Build Contract, subject to the other terms and conditions of the Design-Build Contract and in addition to all rights and remedies available to the Borrower under the DB Project Documents or Applicable Law, the Borrower will be entitled to direct the Collateral Agent to draw on the Construction Security furnished by the Design-Builder pursuant to the Design-Build Contract in the amount payable to the Port Authority by the Borrower and pay the proceeds of such draw over to the Borrower (for the Borrower to pay to the Port Authority) without deduction. In the event of any associated deductions by the Port Authority in any payments due to the Borrower under the Lease Agreement as a result of any such amount due to the Port Authority, the Design-Builder will be responsible for making the Borrower whole with respect to such deductions.

If the Design-Builder defaults or neglects to carry out the DB D&C Work in accordance with the requirements of the Design-Build Contract or if there are any DB Work Defects that the Design-Builder refuses or neglects to repair, in each case after giving effect to and without limiting the Design-Builder's right to cure or repair or correct performance as provided in this section and in the applicable provisions of the Lease Agreement or otherwise in the Design-Build Contract, and the Design-Builder fails after receipt of written notice from the Borrower to commence and continue correction of such default, neglect, or DB Work Defect with diligence and promptness, (i) any such defaults occurring prior to Substantial Completion will be included in the punch list and the Design-Builder punch list and (ii) the Borrower will also be entitled, without prejudice to any other remedy it may have, to correct the same itself or cause it to be corrected. If the Borrower does so, it will issue an appropriate scope change order to the Design-Builder deducting from the payments then or thereafter due to the Design-Builder the reasonable, documented, direct out-of-pocket cost of correcting such default, neglect, or DB Work Defect or, if the payments due the Design-Builder are not sufficient to cover such amount, the Design-Builder will be required to pay the difference to the Borrower within thirty (30) days after the Borrower issues an invoice for such amount together with supporting documentation.

The Design-Builder will obtain from all DB Subcontractors and suppliers appropriate representations, warranties, guarantees and obligations in accordance with best management practice, for work of similar scope and scale, all as set forth in the Design-Build Contract. The Design-Builder will cause any warranties to be expressly extended to the Borrower and the Port Authority; provided, that the foregoing requirement will not apply to standard, pre-specified manufacturer warranties of mass-marketed materials, products (including software products), equipment or supplies where the warranty cannot be extended to the Borrower and the Port Authority despite Reasonable Efforts exercised in accordance with best management practice; and provided, further, that pursuant to the Lease Agreement upon Partial Completion of any of the New Improvements, the Borrower will assign in favor of the Port Authority the Borrower's rights under the Design-Build Contract with respect to the construction warranty coverage for such New Improvement under terms that provide for the warranties to run solely for the benefit of the Port Authority.

The rights of the Borrower described in this section will not be the Borrower's sole or exclusive remedy with respect to DB Work Defects, but will be in addition to, and will not in any way release, compromise, waive or diminish, any and all rights and remedies available to the Borrower, including under the Contract Documents or under Applicable Law, which the Borrower hereby expressly reserves. The obligations contained in this section will survive expiration or early termination of the Design-Build Contract or completion of the DB D&C Work.

If and to the extent the Design-Builder obtains general or limited warranties from any Person with respect to design, materials, workmanship, construction, equipment, tools, supplies, software or services that extend beyond the Warranty Period, the Design-Builder will cause such warranty to be extended to the Borrower for such period.

With respect to any repair or rectification of any DB Work Defect, the Design-Builder will repair or rectify such works or materials in a manner that results in such works or materials having the same lifecycle expectations as the same or similar works or materials used for the Construction Project or, if there are no such similar works or materials, having the lifecycle expectations intended for the Construction Project as set forth in the original lifecycle requirements.

The Design-Builder acknowledges and agrees that, as required by the provisions of the Lease Agreement, upon expiration of the term of the Lease Agreement or upon early termination, all remaining warranties and guaranties, express or implied, if any, will be assigned to the Port Authority.

#### ***Defects and Non-Conforming Work***

The Design-Builder will be responsible for the rectification of all nonconforming work, including, to the extent necessary, through removal and/or replacement, whether discovered by the Design-Builder, the Borrower or by the Port Authority.

With respect to any nonconforming work for which a Corrective Action Plan is not required pursuant to the Lease Agreement, the Design-Builder will promptly and diligently take all necessary and appropriate actions that are consistent with the terms of the Design-Build Contract to rectify such nonconforming work, and will notify the Borrower in writing when the nonconforming work has been fully rectified. If the Design-Builder fails to commence and diligently continue correction of such nonconforming work, the Borrower may, without prejudice to any other remedy the Borrower may have hereunder or under Applicable Law, correct the same or cause it to be corrected in accordance with the Design-Build Contract.



Where a Corrective Action Plan is required pursuant to the Lease Agreement with respect to any nonconforming work, the Design-Builder will prepare and submit to the Borrower, for submission to the Port Authority for Port Authority approval, such a Corrective Action Plan in accordance with the requirements of the Design-Build Contract, and the Borrower will submit such Corrective Action Plan to the Port Authority. Approval of the Corrective Action Plan will be solely in the Port Authority's discretion, without any further right of the Borrower to approve such Corrective Action Plan. The Design-Builder will promptly implement the Corrective Action Plan approved by the Port Authority. If the Design-Builder fails, by the date that is five (5) business days prior to the date that is thirty (30) days after delivery by the Port Authority to the Borrower of a notice of any nonconforming work, to provide a Corrective Action Plan acceptable to the Port Authority regarding correction of such nonconforming work or thereafter fails to commence and diligently continue correction of such nonconforming work pursuant to such Corrective Action Plan, the Borrower or the Port Authority may, without prejudice to any other remedy the Borrower or the Port Authority, as applicable, may have hereunder or under the Lease Agreement, respectively, or under Applicable Law, correct the same or cause it to be corrected. If the Port Authority or the Borrower corrects, or causes to be corrected, any nonconforming work in accordance the Design-Build Contract, the Design-Builder will reimburse the Port Authority for an amount equal to one hundred fifteen percent (115%), in the case of a correction by the Port Authority, or will reimburse the Borrower for an amount equal to one hundred percent (100%), in the case of a correction by the Borrower, of all out-of-pocket costs, expenses, damages, penalties and other charges directly paid or incurred by the Port Authority or the Borrower, as applicable, in connection therewith.

Subject to the provisions described under "Consequential Losses; Limitations on Liability" below, nothing contained in the Contract Documents will in any way limit the right of the Borrower (whether arising out of claims of the Port Authority or otherwise) to assert claims for damages resulting from nonconforming work for the period of limitations prescribed by Applicable Law, and the foregoing will be in addition to any other rights or remedies the Borrower may have under the Design-Build Contract, under the Lease Agreement, or under Applicable Law.

### ***Recovery Schedule***

If the progress of the DB D&C Work is more than ninety (90) days behind the then-current Project Baseline Schedule, the Design-Builder will develop, and the Borrower will submit to the Port Authority, an alternative solutions report in accordance with the General Conditions that includes a recovery schedule, and the Design-Builder will reasonably consider revisions to the Project Baseline Schedule proposed by the Port Authority to achieve completion within the timeframe set forth in the Lease Agreement. Further, upon the written request of the Borrower, if the Design-Builder is more than thirty (30) days late in achieving any DB New Facilities Construction Deadline or the DB Substantial Completion Deadline, the Design-Builder will develop and submit to the Borrower such an alternative solutions report. In each such case, the Design-Builder will also certify in writing to the Borrower at the time of submission of such alternative solutions report that the recovery schedule set forth therein enables the Design-Builder to reach Substantial Completion by the DB Long Stop Deadline.

Whenever the Lease Agreement requires submission of an alternative solutions report, the Design-Builder will, within seven (7) days of the occurrence of any such event set forth in the Lease Agreement, submit to the Borrower (for submission to the Port Authority) an alternative solutions report that includes a recovery schedule. Such recovery schedule will be subject to Port Authority approval and will set forth a reasonably detailed description of the steps which the Design-Builder intends to take to achieve the affected New Facilities Construction Milestone(s) by the applicable Guaranteed New Facilities Construction Milestone Completion Date(s) or an alternative date or dates. Notwithstanding anything in this paragraph, no extension of or delay to the Guaranteed Substantial Completion Date will be permitted, except as otherwise expressly provided for in the Design-Build Contract. Pursuant to the

Lease Agreement, (1) the Port Authority is required to respond within fifteen (15) days of the receipt of such recovery schedule, (2) if the Port Authority disapproves the submitted recovery schedule (or a portion thereof), the Borrower is required to resubmit a revised recovery schedule within seven (7) days of the disapproval and (3) the Borrower is required to diligently implement each approved recovery schedule and provide to the Port Authority monthly updates thereto and if the Borrower can demonstrate that, despite use of diligent efforts, the Borrower cannot achieve the Guaranteed New Facilities Construction Milestone Completion Date(s) or such alternative date(s) in accordance with the applicable approved recovery schedule, the Borrower will submit to the Port Authority an amended alternative solutions report and recovery schedule for Port Authority approval and will diligently implement such recovery schedule, in each case, in accordance with the Lease Agreement.

The Design-Builder will diligently implement each approved recovery schedule and provide to the Borrower (for submission to the Port Authority) monthly updates thereto and if the Design-Builder can demonstrate to the satisfaction of the Borrower and the Port Authority that, despite use of diligent efforts, the Design-Builder cannot achieve such Guaranteed New Facilities Construction Milestone Completion Date(s) (as such dates are determined pursuant to the Lease Agreement) or such alternative date(s) in accordance with the applicable approved recovery schedule, the Design-Builder will submit to the Borrower (for submission to the Port Authority) an amended alternative solutions report and recovery schedule for Port Authority approval and will diligently implement such recovery schedule, in each case, in accordance with this section.

### **Other Redevelopments**

Pursuant to the Lease Agreement, (1) the Borrower will use Reasonable Efforts to enter into an interface agreement with the Port Authority and Delta Air Lines relating to implementation of the Other Redevelopments, the Work and any Port Authority work activities or other activities at the Airport authorized by the Port Authority, (2) in connection with the Other Redevelopments, Delta Air Lines is expected to submit certain tenant alteration applications to the Port Authority for review and approval, (3) the Port Authority will in good faith consider and take into account any cost, revenue or schedule impacts that any permit issued in connection with the Other Redevelopments may have on the implementation of the Work, (4) the Port Authority will not approve any tenant alteration application if it reasonably believes that the work proposed to be performed by Delta Air Lines or its contractors at the Airport is reasonably likely to materially interfere with the Work performed or to be performed by the Borrower or its contractors in accordance with the NEPA Documents, the approved construction plan or any submittal approved by the Port Authority, or any submittal consistent with the construction plan, the schedule of submittals and the terms of the Lease Agreement that is scheduled or expected to be submitted by the Borrower during the Construction Period, unless the Port Authority and the Borrower have agreed to a change order or the Port Authority has issued a Directive Letter, and (5) subject to receiving a reciprocal waiver, the Borrower is prohibited from making any claims against the Port Authority, Delta Air Lines or any of their contractors for any indirect, incidental or consequential damages of any nature in connection with any damage or disruption in connection with any interference or alleged interference of the Other Redevelopments with the Work; provided, that if the Borrower and the Port Authority agree to a change order or the Port Authority issues a Directive Letter pursuant to the provisions of the Lease Agreement in connection with any interference or alleged interference of the Other Redevelopments with the Work, such change order or Directive Letter, as applicable, represents the sole right to compensation and damages against the Port Authority for the adverse effects of such event of interference or alleged interference.

If requested by the Borrower in connection with any Other Redevelopments, the Design-Builder will provide an advance analysis as to the impact of such Other Redevelopments on the DB D&C Work to enable the Borrower to comply with its requirement under the Lease Agreement to provide to the Port

Authority, if so requested by the Port Authority, an advance analysis as to such impacts. In the event that a reciprocal waiver is obtained as described in clause (5) in the preceding paragraph, the Developer and the Design-Builder will be prohibited from making any claims against each other, the Port Authority, Delta Air Lines or any of their contractors for any indirect, incidental, or consequential damages of any nature in connection with any damage or disruption in connection with any interference or alleged interference of the Other Redevelopments with the DB D&C Work; provided, that to the extent the Borrower and the Port Authority agree to a change order, or the Port Authority issues a Directive Letter, pursuant to the provisions regarding disputes with respect to Other Redevelopments set forth in the Lease Agreement, in connection with any interference or alleged interference of the Other Redevelopments with the DB D&C Work, such change order or Directive Letter, as applicable, will represent the sole right to compensation and damages against the Port Authority for the adverse effects of such event of interference or alleged interference. The Design-Builder will be entitled to Equivalent Project Relief with respect to any such change order and Directive Letter.

## **Port Authority Funding**

### ***Port Authority Funding for New Facilities and the Demolition Facilities***

Pursuant to the Lease Agreement, the Port Authority is required to make available Port Authority Funding up to \$1,000,000,000, available solely to pay for PFC Eligible Project Costs incurred to perform the D&C Work for the Demolition Facilities and the New Facilities, in amounts and within the time periods set forth in the PFC Funding Plan, and for no other purpose; and for the avoidance of doubt, the terms and conditions set forth in this subsection address only Port Authority Funding to be made available relating to Port Authority Funding for New Facilities and the Demolition Facilities.

Pursuant to the Lease Agreement, the Borrower and the Port Authority have developed and mutually agreed to a plan (as amended from time to time, the “PFC Funding Plan”), which includes the information required to be set forth in such plan as contemplated by the Lease Agreement. The Borrower has provided a copy of such PFC Funding Plan (which includes a detailed breakdown of the elements of the DB D&C Work for the Demolition Facilities and the New Facilities that constitute PFC Eligible D&C Work, to enable the Design-Builder to comply with its obligations under the Design-Build Contract with respect to such PFC Eligible D&C Work) and will provide copies of any subsequent amendments thereto to the Design-Builder.

The Design-Builder agrees and acknowledges that information provided in the PFC Funding Plan will be used to prepare and submit PFC Applications. As between the Borrower and the Design-Builder, the Design-Builder is solely responsible for the completeness and accuracy of information and data relating to the Construction Project that the Design-Builder or any of its consultants, DB Subcontractors, advisors or any other person acting on behalf of the Design-Builder, has provided or provides in order for the Borrower and the Port Authority to develop a PFC Funding Plan that complies with the PFC Regulations in all respects, and for the Port Authority to prepare responsive PFC Applications. The Design-Builder will not be responsible for the completeness and accuracy of any information and data directly provided by, or (other than the Design-Builder or any of its consultants, DB Subcontractors, advisors or any other person acting on behalf of the Design-Builder) on behalf of, the Port Authority, the Borrower, the airline sublessees or their respective consultants and, except as provided in this paragraph, the Design-Builder will not be responsible for the Borrower’s and the Port Authority’s development or preparation of the PFC Funding Plan or the PFC Applications, or for the compliance of the PFC Funding Plan and PFC Applications with PFC Regulations. Further, the Design-Builder will cooperate and coordinate with the Borrower and the Port Authority and (at the request of the Port Authority) the FAA, in a timely manner, in the preparation, submission and processing of any PFC Application, and the Design-Builder will be required to promptly provide further information or data that is required by the

Borrower, the Port Authority or the FAA, and be available as and when needed, to process, renew, amend, supplement or otherwise modify any PFC Application. The Design-Builder's right to receive Port Authority Funding (or payments from the Borrower in lieu thereof) with respect to the New Facilities or the Demolition Facilities will be contingent upon the Design-Builder's full compliance with its obligations in this section. If the conditions in the immediately preceding sentence have been satisfied, the Borrower will be required to (i) pay the Design-Builder any and all such amounts certified by the Lenders' Technical Advisor and not paid by the Port Authority and/or (ii) provide the Design-Builder a written certification, in lieu of all or a portion of such payment required by clause (i), to the effect that that the Borrower is not paying all or a designated portion of such payment because the Port Authority, due to no fault, act, breach or omission of the Borrower, has refused to make payment of amounts that the Lenders' Technical Advisor had certified as being due and payable pursuant to such DB Disbursement Request. The Borrower will be required to pay the Design-Builder any and all amounts due under clause (i) of this paragraph and/or deliver the written certification under clause (ii) of this paragraph on or before the later of (x) five (5) business days of receipt by the Borrower of notification from the Port Authority that the Port Authority has disapproved, in whole or in part, a disbursement request by the Borrower under the Lease Agreement (y) the date upon which the payment with respect to the New Facilities to be made by the Borrower to the Design-Builder is due as described below under "Contract Price: Borrower Payments to Design-Builder."

In addition, the Design-Builder will be solely responsible for any delay in the performance of the DB D&C Work in accordance with the Project Baseline Schedule, including any delay in achieving any Guaranteed New Facilities Construction Milestone Completion Date, the Guaranteed Substantial Completion Date and/or the Guaranteed Final Acceptance Date, and any increase in costs and loss in revenues to the Design-Builder or any of its DB Subcontractors or suppliers to the extent resulting from the failure of the Design-Builder to comply with its obligations described in the previous paragraph. The Borrower will be solely responsible for any delay in the performance of the DB D&C Work in accordance with the Project Baseline Schedule, including any delay in achieving any Guaranteed New Facilities Construction Milestone Completion Date, the Guaranteed Substantial Completion Date and/or the Guaranteed Final Acceptance Date, and any increase in costs and loss in revenues to the Borrower or any of its contractors to the extent resulting from the failure of the Borrower to comply with its obligations under the Design-Build Contract described in the previous paragraph.

Pursuant to the Lease Agreement, (1) if the Port Authority makes any amount of Port Authority Funding available from sources other than PFCs to fund PFC Eligible Project Costs incurred in connection with PFC Eligible D&C Work for the Demolition Facilities and the New Facilities, the Port Authority will be entitled to retain the proceeds of PFC Funding for such PFC Eligible Project Costs subsequently received from the FAA as reimbursement for any such amounts; (2) if, subsequent to any disbursement of Port Authority Funding, the Port Authority or the Borrower determines that Port Authority Funding has been made available in an erroneous amount, the party that made such determination is required to inform the other party thereof as promptly as possible and (3) in the case of an overfunding, the Borrower is required, as promptly as possible, to cause payment to be returned, to the Port Authority in the amount of such overfunding, and in the case of an underfunding, the Port Authority will be required to, as promptly as possible but in any case, not later than the next disbursement date, make payment in the amount of such underfunding into the PAF Account for disbursement to the Design-Builder or other specified contractors. In the event any such erroneous overfunding or underfunding affects amounts of Port Authority Funding paid to or to be reimbursed by the Design-Builder, the Design-Builder will be required to, as promptly as possible, return payment to the PAF Account, in the event of an erroneous overfunding, or be entitled to receive payment in the amount of the erroneous underfunding from the Port Authority via the PAF Account pursuant to the Lease Agreement, in the event of an erroneous underfunding. If, subsequent to any disbursement of Port Authority Funding pursuant to the Design-Build Contract, the Borrower or the Design-Builder determines that Port Authority Funding has

been paid in an erroneous amount (whether below or above the requisitioned amount), such party will be required to inform the other party (and the Borrower will be required to, in turn, inform the Collateral Agent and the Port Authority) as promptly as possible.

For purposes of the PFC Applications, the Borrower and the Port Authority will be entitled to rely upon the truth and accuracy of information, estimates, drawings and other data provided by the Design-Builder; provided, that (i) the use of such information, estimates, drawings and other data will not constitute a waiver by the Borrower of any breach of the Design-Build Contract by the Design-Builder or relieve the Design-Builder of any of its obligations hereunder, and (ii) the Borrower acknowledges that the information, estimates, drawings and other data may be preliminary when provided and will be accurate to the best of the Design-Builder's knowledge at the time it is provided.

### ***Port Authority Funding for New Improvements and Central Hall***

Pursuant to and subject to the restrictions of the Lease Agreement, the Port Authority will make payments to the Borrower for the performance by the Borrower of the D&C Work with respect to (i) the New Improvements in accordance with the New Improvements payment and milestone schedule (the "New Improvements Milestone Payments") and (ii) the Central Hall in accordance with the Central Hall payment and milestone schedule (the "Central Hall Milestone Payments" and together with the New Improvements Milestone Payments, the "Milestone Payments"). The Borrower will pay or cause to be paid all such Port Authority Funding with respect to the DB D&C Work related to the New Improvements or the Central Hall, as applicable, to the Design-Builder within five (5) business days of receipt thereof by the Collateral Agent or the Borrower from the Port Authority.

The parties acknowledge and agree that design drawings, cost information (aggregate and itemized) and other information provided in the finalized proposal or otherwise provided to the Port Authority from time to time with respect to the design and construction of the New Improvements or the Central Hall will be used to prepare and submit PFC Applications for PFC Funding for the New Improvements or the Central Hall, as the case may be. The Design-Builder represents that any such design drawings, cost information and such other information provided (as may have been modified) by the Design-Builder will be updated, complete and accurate when provided to the Borrower for submission to the Port Authority. Further, the Design-Builder will cooperate and coordinate with the Borrower and the Port Authority and (at the request of the Port Authority) the FAA, in a timely manner, in the preparation, submission and processing of any PFC Application for PFC Funding of the New Improvements or the Central Hall, as the case may be, and the Design-Builder will promptly provide to the Borrower, for submission to the Port Authority, updates to previously submitted information, and will provide further information or data that is required by the Port Authority or the FAA, and be available as and when needed, to process, renew, amend, supplement or otherwise modify any PFC Application. Pursuant to the Lease Agreement, (1) notwithstanding anything to the contrary, the Port Authority's obligation to make Milestone Payments pursuant to the Lease Agreement will not be affected by any FAA decision with respect to a PFC Application for the New Improvements or the Central Hall, as the case may be, that disapproves the application in whole or in part, or authorizes PFC Funding on terms that deviate from the New Improvements payment and milestone schedule or the Central Hall payment and milestone schedule, whether the deviation is in amounts authorized, allocation of funding, timing or otherwise and (2) for greater clarity, so long as the Borrower is in compliance with its obligations under the Lease Agreement with respect to Port Authority Funding related to the New Improvements and the Central Hall, it is not a condition to the submission of a written request for any of the Milestone Payments that the PFC Application relevant to such Milestone Payment for which payment is being requested be submitted to or approved by the FAA at the time of such request. So long as the Design-Builder is in compliance with its obligations set forth in this paragraph, the provisions of the previous sentence will also apply to the Design-Builder and its written requests for any of the Milestone Payments hereunder.

Any payments made by or on behalf of the Borrower to the Design-Builder pursuant to the this section will be separate from and in addition to the Port Authority Funding made available to the Design-Builder for the payment of PFC Eligible Project Costs incurred in connection with DB D&C Work constituting PFC Eligible D&C Work for the New Facilities and the Demolition Facilities described under “Port Authority Funding for New Facilities and the Demolition Facilities” above.

The Design-Builder may submit to the Borrower, for submission to the Port Authority, a written request for the Milestone Payments due based upon the Design-Builder’s achievement of specified Milestones, at a frequency not to exceed once every month, all in accordance with the New Improvements payment and milestone schedule and the Central Hall payment and milestone schedule, as applicable. With each such request for payment, the Design-Builder will include, for submission by the Borrower to the Port Authority, the monthly progress report for the month for which payment is requested, together with such additional certifications and information reasonably requested by the Borrower hereunder or required by the Port Authority pursuant to the Lease Agreement relating to such payment request, and will otherwise meet all the conditions to payment set forth in the Design-Build Contract to the extent they relate to the New Improvements or the Central Hall, as the case may be. For avoidance of doubt, each such request for payment will be required to be included in a DB Disbursement Request submitted by the Design-Builder in compliance with the Design-Build Contract.

Pursuant to the Lease Agreement, (1) the Port Authority is required to notify the Borrower of its approval or disapproval of the request for payment within thirty (30) days following receipt by the Port Authority of a complete and correct request for payment; (2) within fifteen (15) business days after approval by the Port Authority of such request, the Port Authority is required to pay such amount (i) to, or to the order of, the Borrower, by payment into one or more Borrower accounts established with the Collateral Agent as set forth in the Financing Documents and identified to the Port Authority by the Borrower, or (ii) if the Borrower so requests in writing, directly to the Design-Builder (as designated by the Borrower in accordance with the terms of the Lease Agreement); provided, that notwithstanding such direct payment to the Design-Builder by the Port Authority, such payment will be deemed to have been made to the Borrower for the purposes of the Lease Agreement and nothing therein or herein will be construed to entitle such Design-Builder to any rights whatsoever under the Lease Agreement or relieve the Borrower from its obligations thereunder or hereunder; (3) if the Port Authority disapproves such request in whole or in part, the Port Authority is required to notify the Borrower of the reasons of such disapproval, and pay undisputed amounts within fifteen (15) business days after the Port Authority approves the undisputed amounts; and (4) any such disapproved amounts will be available in a subsequent payment if the reasons for disapproval are satisfied or if it is determined, pursuant to the Port Authority dispute resolution procedures, that the Port Authority was not entitled to disapprove such request, or a portion thereof (if applicable) pursuant to the Lease Agreement. The Borrower will notify the Design-Builder after receipt of notice of any such disapproval by the Port Authority; will use Reasonable Efforts to assist the Design-Builder with respect to its revisions, if any, that are required with respect to the related request for payment to ensure that the reasons for disapproval are satisfied; and will pursue resolution of any disputes with respect to any such Port Authority disapproval pursuant to the Port Authority dispute resolution procedures if the Design-Build presents a Reasonable DB Claim with respect to such disapproval.

Without limiting any of the other provisions of this section, to the extent any Milestones included as part of the DB PNTP Work have not been completed or, if completed, have not been invoiced by the Design-Builder to the Borrower and submitted to the Port Authority prior to the Lease Commencement Date, the Design-Builder will complete or invoice, as applicable, such Milestones in accordance with the Design-Build Contract and, pursuant to the Lease Agreement, payment therefor will be made by the Port Authority in accordance with the Lease Agreement.

## **Contract Price**

In consideration of the Design-Builder carrying out its obligations under the Design-Build Contract, the Design-Builder will be paid the amount of \$3,981,650,246.59 (as the same may be adjusted pursuant to the Design-Build Contract, the “Contract Price”), inclusive of: (i) certain allowances for particular aspects of the DB D&C Work set forth in the Design-Build Contract (such as allowances for particular contingent environmental costs, passenger seating and artwork and architectural feature zones for the terminal space) (ii) the DB D&C Work required to be funded by the Port Authority pursuant to the PNTF DB Contract, and (y) except as expressly set forth in the Design-Build Contract, the Design-Builder will not be entitled to any payment other than the Contract Price for its performance of the DB D&C Work. The Design-Builder will request reimbursement for the allowance amounts set forth in the Design-Build Contract, which reimbursement requests will be included in each monthly DB Reimbursement Request (to the extent applicable in a particular month).

Subject to the limitations on the Borrower’s payment obligations with respect to Port Authority Funding (see “Limited Obligation of the Borrower With Respect to Port Authority Payment Obligations” below), payments by the Borrower to the Design-Builder will be made monthly based on performance of the DB D&C Work set forth on payment and values schedules, subject to the applicable maximum cumulative drawdown schedules with respect to the New Facilities, the New Improvements and the Central Hall, as set forth in the Design-Build Contract, respectively, which the parties may alter by mutual agreement (subject to Port Authority approval, if applicable), and the delivery of a DB Disbursement Request pursuant to and in compliance with the provisions of the Design-Build Contract. Such monthly payments may also include any costs of the Design-Builder that fall under the allowances described above (which are included in the Contract Price but are not subject to drawdown in accordance with the pre-established schedules and are instead to be paid as incurred). The pre-established schedules and the Contract Price also include certain mobilization fees (to be paid by the Borrower) and start-up costs (to be paid by the Port Authority), which will be paid to the Design-Builder at the times and in the amounts specified in the schedules. Except as expressly set forth in the Design-Build Contract or otherwise mutually agreed upon by the parties, the Design-Builder will not be required to accelerate the DB D&C Work or perform other mitigation efforts that would result in projected payments ahead of the maximum cumulative drawdown schedule or be responsible for the consequences of failing to pursue any such acceleration or other mitigation efforts.

The Design-Builder will submit a monthly requisition to the Borrower, (a “DB Disbursement Request”) and an accompanying certificate. The Borrower will pay any amounts payable to the Design-Builder pursuant to a DB Disbursement Request with respect to the New Facilities (or cause such amounts to be paid by the Collateral Agent) within thirty (30) days after receipt of the final form of such DB Disbursement Request, except for amounts that are payable by the Port Authority as Port Authority Funding for New Facilities and the Demolition Facilities or that are payable by the Borrower as described above under “Port Authority Funding – Port Authority Funding for New Facilities and the Demolition Facilities, which will in each case be governed by the provisions described above under “Port Authority Funding” and will be payable by the Port Authority or the Borrower, as applicable, to the Design-Builder as and when set forth therein. In addition to a DB Disbursement Request certificate, each DB Disbursement Request must include (i) all information described above under “Port Authority Funding”, (ii) reasonable substantiation of all amounts claimed under such DB Disbursement Request and (iii) any other information justifying payment as the Borrower and/or the Lenders’ Technical Advisor may reasonably require, in the case of each of clauses (ii) and (iii), taking into account the documentation that customarily accompanies requisitions related to lump sum contracts.

The Design-Builder will use Reasonable Efforts to cooperate and coordinate with the Borrower and (at the request of the Borrower) the Collateral Agent, in a timely manner, in the preparation,

submission and processing of any disbursement request of the Borrower for funds from the Collateral Agent, and the Design-Builder will promptly provide further information or data that is reasonably required by the Borrower or the Collateral Agent in connection therewith or with any DB Disbursement Request.

The Borrower may withhold payment of any amount payable pursuant to a DB Disbursement Request that it disputes in good faith as not being due and payable based on the progress of the DB D&C Work. Further, whenever any amount becomes payable by the Design-Builder to the Borrower under the Design-Build Contract, the Borrower will be entitled to set such amount off against any amount then due, or which at any time thereafter may become due, from the Borrower to the Design-Builder under the Design-Build Contract. Any payment withheld or offset hereunder will be subject to the DB Dispute Resolution, unless the Lease Agreement requires resolution of such dispute pursuant to the terms of the Lease Agreement.

In particular, but not by way of limitation of the other provisions of this section, the Borrower will be entitled to withhold from any payment to be made by the Borrower to the Design-Builder (with written notice of such withholding to the Design-Builder) such amounts as are reasonably necessary for so long as is reasonably necessary to protect itself, acting in good faith, against any losses, claims or issues arising from any of the following, provided that the Borrower will promptly pay the Design-Builder any amount so withheld where such losses, claims or issues are rectified or satisfied:

- (i) failure to cure any DB Work Defect or to pay amounts due to the Port Authority with respect thereto;
- (ii) any third party claims for which the Borrower reasonably believes that the Design-Builder is required to indemnify the Borrower but has not yet done so, but only to the extent that insurance proceeds from the insurance policies required to be maintained by the Design-Builder or the Borrower are not available;
- (iii) any damages to property for which the Design-Builder is responsible, but only to the extent that insurance proceeds from the insurance policies required to be maintained by the Design-Builder or the Borrower are not available;
- (iv) liens arising in connection with the DB D&C Work (other than as a result of the Borrower's failure to pay an undisputed amount hereunder) and for which the Design-Builder has not discharged or bonded over pursuant to the Design-Build Contract;
- (v) failure to pay any accrued and unpaid Delay LDs as and when required by the Design-Build Contract; or
- (vi) the occurrence of a Potential Design-Builder Event of Default or a Design-Builder Act.

Without limiting the foregoing, the Borrower will be entitled to deduct from any payment to be made to the Design-Builder under the Design-Build Contract (or recover as a debt from the Design-Builder to the extent that the amounts required to be withheld are greater than the amounts payable to the Design-Builder), an amount equivalent to any amount deducted by the Port Authority pursuant to the Lease Agreement to the extent attributable to the Design-Builder's failure to satisfy its obligations under the Design-Build Contract.



The Financing Documents provide to the Lenders' Technical Advisor certain rights of review, inspection, certification and consultation with the Borrower concerning the Construction Project and the D&C Work in order that the Lenders' Technical Advisor may regularly and completely apprise the Lenders of the progress and other aspects of the Construction Project and the D&C Work. The Design-Builder will fully and promptly cooperate with the Lenders' Technical Advisor as reasonably requested by the Borrower. Any acceptance or comment by the Lenders' Technical Advisor, the Borrower or the Lenders will not be construed to impose on the Lenders' Technical Advisor, the Borrower or the Lenders any control of any portion of the DB D&C Work, or relieve the Design-Builder of any of its duties, liabilities or obligations under the Design-Build Contract. The Borrower will be copied on all communications to and from the Lenders' Technical Advisor regarding the DB D&C Work.

#### ***Limited Obligation of the Borrower With Respect to Port Authority Payment Obligations***

The Design-Build Contract generally provides that the Borrower is required to remit or cause to be remitted any Port Authority Funding or Borrower Damages amounts that are due and payable to the Design-Builder within five business days of receipt thereof from the Port Authority by the Borrower or the Collateral Agent, as the case may be, but the Borrower is not otherwise responsible for making payments to the Design-Builder pursuant to the payment provisions of the Design-Build Contract with respect to any DB D&C Work or other amounts to be paid for by the Port Authority for the benefit of the Design-Builder pursuant to the Design-Build Contract until such amounts are received by the Borrower or the Collateral Agent from the Port Authority; provided, however, if an aggregate of at least \$25,000,000 of Port Authority Funding or Borrower Damages payments continues to be delinquent from the Port Authority for a period of six months, the Borrower is responsible for making payment to the Design-Builder for such aggregate delinquent amount no later than five business days thereafter, regardless of whether the Borrower or the Collateral Agent has received sufficient funds from the Port Authority by such date. This limitation on the Borrower's payment obligation relates to Port Authority Funding due and payable from the Port Authority pursuant to the Lease Agreement. This limitation does not apply under the circumstances in which the Borrower is required to make payments to the Design-Builder in circumstances where the payment schedule for the New Facilities entitles the Design-Builder to payment but the Port Authority is not required to make such payments pursuant to the Lease Agreement as described above under "Port Authority Funding – Port Authority Funding for New Facilities and the Demolition Facilities."

#### **Change Orders and Directives**

##### ***Port Authority Changes and Directive Letters***

The Port Authority has the right to propose Port Authority changes in accordance with the terms of the Lease Agreement, including Port Authority changes affecting the DB D&C Work under the Design-Build Contract.

Pursuant to the Lease Agreement, if the Port Authority proposes a Port Authority change, the Port Authority is required to provide to the Borrower in writing a description of the Port Authority's requirements for a change in the Work, including any change to the Requirements and Provisions for Work, in sufficient detail to enable the Borrower to provide the Lessee's Impact Statement in accordance with the requirements of the Lease Agreement. If the proposed Port Authority change relates to the DB D&C Work, the Borrower will provide the documentation provided by the Port Authority with respect to such proposed Port Authority change to the Design-Builder as soon as practicable, and in any event no later than three (3) business days after the Borrower's receipt thereof. As soon as practicable, but in no event later than thirty (30) days after the Borrower receives a proposal for a Port Authority change, the Borrower is required to deliver to the Port Authority a written description of the projected impact to the

Borrower of the proposed Port Authority change (a “Lessee’s Impact Statement”). The Lease Agreement further provides that the Borrower may request in writing, within such thirty (30)-day period, additional time to provide the Lessee’s Impact Statement to the Port Authority, together with the explanation of the reasons therefor, and the Port Authority will consider such request in good faith; provided, further, that the Port Authority may in such case require the Borrower to provide to the Port Authority such required information the Borrower prepared within the initial thirty (30)-day period and deliver the remaining information to the Port Authority within the time period agreed to by the Port Authority. To the extent the Port Authority change is applicable to the DB D&C Work, the Design-Builder will be responsible (subject to the Borrower using Reasonable Efforts to assist the Design-Builder) for the preparation of any such Lessee’s Impact Statement (or portion thereof) that relates to the DB D&C Work, including providing the Borrower with a Contract Price and Project Baseline Schedule impact estimate, which Lessee’s Impact Statement (or portions thereof) the Design-Builder will deliver to the Borrower no later than five (5) business days before the date on which the Lessee’s Impact Statement is due to the Port Authority under the Lease. If the proposed Port Authority change relates to the DB D&C Work and the Design-Builder requests in writing that the Borrower seek additional time to provide the Lessee’s Impact Statement to the Port Authority, as described above (provided that the Design-Builder will submit such written request to the Borrower no later than five (5) business days before the Borrower must submit such request to the Port Authority), the Borrower will request such additional time from the Port Authority. For the avoidance of doubt, the Borrower may also request such additional time at its own election, without request by the Design-Builder. If the Port Authority agrees to extend the required time for submission of a Lessee’s Impact Statement affecting the DB D&C Work, the time for the Design-Builder to submit the applicable Lessee’s Impact Statement (or portion thereof) to the Borrower will be extended by the same number of days as the extension received by the Borrower from the Port Authority.

Each Lessee’s Impact Statement (or portion thereof) prepared by the Design-Builder will include, among other things, the following, as applicable:

- (i) any deviation from the Design-Builder’s obligations under the Design-Build Contract or from the Requirements and Provisions for Work that would result from the implementation of the proposed Port Authority change, and any impact to the Project Baseline Schedule, including to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and the scheduled Final Acceptance Date;
- (ii) any governmental approvals, or amendments, revisions, supplements, waivers or modifications thereto or exemptions therefrom, which would be required as a result of the proposed Port Authority change, to the extent applicable to the DB D&C Work;
- (iii) if applicable, any additional land or real property rights which would be required as a result of the proposed Port Authority change;
- (iv) a scope of work for any proposed additional or modified work required as a result of the proposed Port Authority change and estimated pricing to carry out such work; and
- (v) such other supporting documentation as may be reasonably required by the Borrower or the Port Authority.

Pursuant to the Lease Agreement, as soon as practicable after the Port Authority receives the Lessee’s Impact Statement, the Port Authority and the Borrower are required to meet and negotiate in good faith to agree to the terms of the Port Authority change, which terms will reflect an agreement addressing the Lessee’s Impact Statement. The Design-Builder will be required to participate with the Borrower in the Borrower’s discussions with the Port Authority with respect to any proposed Port

Authority change(s) (including pursuant to the issuance of a Directive Letter by the Port Authority) relating to the DB D&C Work, and the Design-Builder will work with the Borrower in the Borrower's efforts to reach agreement with the Port Authority in accordance with the Lease Agreement. In all discussions with the Port Authority, the Borrower will take the lead, and the Design-Builder will not initiate discussions with the Port Authority with respect to any claim for Primary Project Relief relating to the Design-Builder's obligations under the Design-Build Contract without the prior written consent of the Borrower. The Borrower will not agree to the terms of any proposed Port Authority change unless the Design-Builder also agrees (in its reasonable discretion) to such terms, to the extent such terms are applicable to the DB D&C Work.

If the Port Authority and the Borrower (with the consent of the Design-Builder, to the extent required pursuant to the Design-Build Contract agree on the terms of the proposed Port Authority change in accordance with the Lease Agreement, then, pursuant to the terms of the Lease Agreement, the Port Authority and the Borrower will enter into an appropriate change order to give effect to the proposed Port Authority change, which change order will include, as applicable, the scope of the additional or modified Work and schedule to perform such Work (including any adjustments to the Guaranteed New Facilities Construction Milestone Completion Dates, the Guaranteed Substantial Completion Date, the Guaranteed Final Acceptance Date and/or Long Stop Deadline, as appropriate), changes and modifications to the other requirements of the Project Documents and compensation and payment terms (including to the New Improvements payment and milestone schedule and /or the Central Hall payment and milestone schedule, as applicable) and such other payments as may be payable hereunder. The Design-Builder's entitlement to additional funds or adjustments to the Project Baseline Schedule (including changes to the Guaranteed New Facilities Construction Milestone Completion Dates, if necessary) will also be back-to-back with the rights of the Borrower under the Lease and will be limited to Equivalent Project Relief pursuant to the Design-Build Contract, except that the Design-Builder will be entitled to a corresponding adjustment to any Delay LDs Dates if the applicable Guaranteed New Facilities Construction Milestone Completion Date or the Guaranteed Substantial Completion Date is adjusted pursuant to the Design-Build Contract

Pursuant to the Lease Agreement, if at any time after the Port Authority receives the Lessee's Impact Statement, the Port Authority determines not to proceed with the proposed Port Authority change, the Port Authority will be required to reimburse the Borrower for the reasonable, documented out-of-pocket costs incurred to prepare the Lessee's Impact Statement, but will not bear any other of the Borrower's costs and expenses in complying with the terms of the Lease Agreement, and the proposed Port Authority change will be deemed withdrawn. The Design-Builder will be entitled to receive from the Borrower the reasonable, documented out-of-pocket costs incurred by the Design-Builder to prepare the portions of the Lessee's Impact Statement prepared by the Design-Builder, but the Borrower will not bear any other of the Design-Builder's costs and expenses incurred pursuant to the Design-Build Contract. The Design-Builder's right to reimbursement of such costs is limited to Equivalent Project Relief pursuant to the Design-Build Contract.

Pursuant to the Lease Agreement, if the Port Authority and the Borrower are unable to reach an agreement on a proposed Port Authority change and enter into a change order in accordance with the terms of the Lease Agreement, the Port Authority may, in its sole discretion, deliver to the Borrower a Directive Letter directing the Borrower to proceed with the implementation of the Port Authority change. Upon receipt of any Directive Letter related to the DB D&C Work, the Borrower will deliver to the Design-Builder a copy of such Directive Letter as soon as practicable, and in any event no later than two (2) business days after the Borrower's receipt thereof (or, if less than two (2) business days is provided by the Port Authority for compliance with such Directive Letter, then as soon as practicable and in advance of the provided deadline). The Design-Builder will implement and perform the work in question to the extent related to the DB D&C Work as directed by the Port Authority in the Directive Letter, and the Borrower will implement and perform any other Work in question as directed by the Port Authority in the

Directive Letter. Pursuant to the Lease Agreement, the Borrower will be entitled to claim a Delay Event and/or a Compensation Event with respect to such Directive Letter in accordance with the terms of the Lease Agreement. The Design-Builder will therefore also be entitled to submit a DB Delay Event Notice and/or a DB Compensation Event Notice, as applicable, with respect to such Directive Letter and will be entitled to Equivalent Project Relief pursuant to the Design-Build Contract.

### ***Developer Changes***

If the Borrower wishes to propose any change to the DB D&C Work that would constitute a Lessee Change under the Lease Agreement or any other change under the Design-Build Contract (a “Developer Change”), the Design-Builder will (following receipt of a proposal request from the Borrower detailing such Lessee Change or Developer Change, as applicable): (1) prepare a change order proposal (including a Contract Price and Project Baseline Schedule impact analysis, if necessary; provided that the Design-Builder will use Reasonable Efforts in preparing any such proposal so as to minimize or eliminate any impact to the Contract Price or the Project Baseline Schedule from the applicable Lessee Change or Developer Change, as applicable) and (2) in the case of a Lessee Change, provide the Borrower with any other information required for the Borrower to prepare a Lessee Change Request (as defined in the Lease Agreement) for submission to the Port Authority.

The Design-Builder change order proposal will include, without limitation, the following:

- (i) the proposed change to the DB D&C Work in sufficient detail to enable the Port Authority, if applicable, and the Borrower to evaluate it in full;
- (ii) any implications of the change to the DB D&C Work on the ability of the Design-Builder to fulfill any of its obligations under the Design-Build Contract;
- (iii) any implications of the change to the DB D&C Work on any component of the Supporting Projects;
- (iv) any dates by which a decision by the Borrower or the Port Authority is critical; and
- (v) all of the other information enumerated above in the requirements for a Lessee’s Impact Statement (see “Port Authority Changes and Directive Letters” above).

With respect to a Lessee Change, the Port Authority will be entitled to evaluate and either approve or disapprove of such Lessee Change in accordance with the procedures set forth in the Lease Agreement. With respect to either a Lessee Change (prior to review by the Port Authority) or a Developer Change, the Borrower will evaluate the Lessee Change Request information provided by the Design-Builder in good faith and either approve or disapprove thereof.

If the Borrower does not approve the Design-Builder’s change order proposal, the Borrower may (subject to the Authority’s prior approval, if applicable, pursuant to the Lease Agreement) either (x) issue a work order to the Design-Builder directing the Design-Builder to proceed with such Lessee Change or other Developer Change and will be required to compensate the Design-Builder for the costs the Design-Builder incurs to perform such change, plus reasonable overhead and profit on the same, and provide the Design-Builder with any Project Baseline Schedule adjustments, subject to the restrictions of the Design-Build Contract, that might be necessary as a result thereof or (y) withdraw its proposal request for such Lessee Change or other Developer Change and pay the Design-Builder its reasonable costs incurred in the preparation of the change order proposal.

If the Borrower approves the Design-Builder's change order proposal for a Developer Change, the Borrower will issue a work order that describes (1) the work to be performed, (2) the compensation to be paid to the Design-Builder for its performance (which will be the amount set forth in the Design-Builder's change order proposal or such other amount as may be mutually agreed upon by the Borrower and the Design-Builder, and (3) the Project Baseline Schedule adjustments, if any, that will be made by the Borrower on account of such work order (which will be for the period of time set forth in the Design-Builder's change order proposal or such other period as may be mutually agreed upon by the Borrower and the Design-Builder and which will include, if necessary, adjustments to the DB New Facilities Construction Milestone Deadlines or the DB Substantial Completion Deadline and corresponding changes to the Delay LDs Dates). If the Borrower approves the Design-Builder's change order proposal for a Lessee Change, the Borrower will proceed to submit a Lessee Change Request including such information to the Port Authority and the parties will pursue such Lessee Change Request with the Port Authority as set forth in the Design-Build Contract and the Lease Agreement. Pursuant to the Lease Agreement, if the Port Authority approves a Lessee Change Request (with or without modification), the Port Authority and the Borrower will as soon as practicable enter into an appropriate change order to implement the Lessee Change Request, which change order will include, as applicable, the scope of the additional or modified Work and schedule to perform such Work and changes and modifications to the requirements of the Project Documents. In the event of an adjustment to the Guaranteed New Facilities Construction Milestone Completion Dates or the Guaranteed Substantial Completion Date, the Design-Builder will be entitled to a corresponding adjustment to the applicable Delay LDs Dates. In the case of either a Lessee Change or any other Developer Change, the Borrower will be responsible for the payment of amounts associated with such Lessee Change or other Developer Change, in accordance with the regular payment provisions of the Design-Build Contract and in accordance with the amounts payable at the times set forth in the applicable work order.

In the event of a dispute with respect to any Lessee Change or other Developer Change, such dispute will be subject to the accelerated DB Dispute Resolution Procedure set forth in the Design-Build Contract unless the Lease Agreement requires resolution of such dispute pursuant to the Lease Agreement. Pursuant to the Lease Agreement, if the Port Authority rejects a Lessee Change Request pursuant to the Lease Agreement, the Port Authority is not obligated to give its reasons for such a rejection and, subject only to the terms of the Lease Agreement, such rejection will not be subject to challenge by the Borrower, whether pursuant to the Lease Agreement or otherwise. In such case, such rejection will also not be subject to challenge by the Design-Builder.

Pursuant to the Lease Agreement, the Port Authority is not entitled under the Lease Agreement to reject a Lessee Change Request that is required in order to conform to Applicable Law or Applicable Standards.

### ***Design-Builder Changes***

The Design-Builder has the right to propose Lessee Changes in accordance with the terms set forth in the Lease Agreement. If the Design-Builder wishes to introduce a change to the DB D&C Work that would constitute a Lessee Change under the Lease Agreement if proposed by the Borrower, the Design-Builder will provide a change order proposal to the Borrower following the procedures set forth in the Design-Build Contract and described above under "Developer Changes" and, to the extent required to comply with the Lease Agreement, all of the requirements for a Lessee Change Request in accordance with the terms of the Lease Agreement.

In addition, if the Design-Builder wishes to propose any changes to the DB D&C Work that would not constitute a Lessee Change and, therefore, would not require the review or approval of the Port Authority, the Design-Builder will submit to the Borrower a written request for such changes, listing all

impacts on the Design-Build Contract, including a Contract Price and Project Baseline Schedule impact analysis, and the Borrower will approve or reject such request within a reasonable period of time after receipt thereof from the Design-Builder.

The Borrower will use Reasonable Efforts to review any such proposal or request and, if applicable, submit any such proposal (if acceptable to the Borrower) to the Port Authority as a Lessee Change Request. The Borrower may reject any such change order proposal or request that (i) may negatively impact costs in respect of the Operations and Maintenance Work, (ii) may impose additional liability on the Borrower, or (iii) is otherwise deemed unacceptable by the Borrower in its reasonable discretion. Notwithstanding the foregoing, the Borrower is not entitled to reject any such change order proposal that is required in order to conform to Applicable Law or Applicable Standards.

The Borrower will be responsible for the payment of amounts associated with any such change proposed by the Design-Builder, if approved by the Borrower, in accordance with the regular payment provisions set forth in the Design-Build Contract and in accordance with the amounts payable at the times set forth in the associated work order; provided, however, that the Design-Builder is not entitled to any adjustment of the Contract Price or the Project Baseline Schedule for any such change proposed by the Design-Builder in order to conform to Applicable Law or Applicable Standards (in which case the Design-Builder's right to reimbursement of such costs and to any adjustments to the Project Baseline Schedule will be limited to Equivalent Project Relief).

### **Compensation Events**

Compensation Events are defined in the Lease Agreement as meaning any of the following events or conditions (subject to the limitations and other provisions set forth in the Lease Agreement):

(i) any failure by the Port Authority to complete, or cause to be completed, any work carried out in connection with any Supporting Project by the applicable Supporting Project milestone; provided, that no such failure will be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(ii) performance of work at or immediately adjacent to the Premises carried out by the Port Authority or its contractors that materially damages or disrupts the DB Construction Work so as to materially and adversely impact (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's cost of performing the Construction Work; provided, that for the avoidance of doubt none of Delta, any other Scheduled Aircraft Operator and their respective contractors will be considered contractors of the Port Authority for the purposes of the Design-Build Contract and the Lease Agreement; and provided, further, that no such event will be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(iii) any failure by the Port Authority to respond in accordance with the Lease Agreement or the other Project Documents to any submittal subject to Port Authority approval within the time period provided therefor under the schedule of submittals, the Requirements and Provisions for Work, or the Lease Agreement, as applicable; provided, that no such failure will be deemed to have occurred if due in whole or in part to (A) the submission of incomplete or unresponsive documentation by the Borrower for Port Authority approval or (B) review by Governmental Entities required in connection with submittals for Port Authority approval where

such review is required and cannot be completed or independently obtained by the Borrower; provided, further, that no such failure will be deemed to be a Compensation Event to the extent it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(iv) any delay or failure by the Port Authority to issue a TCAO with respect to a New Facilities Construction Milestone or Construction Segment, as applicable, a Certificate of Substantial Completion, a Certificate of Central Hall Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth herein if, in each case, all conditions to issuance of such certificate or Notice to Proceed have been fully satisfied; provided, that no such event will be deemed to be a Compensation Event to the extent that it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(v) any suspension of the D&C Work by the Port Authority that constitutes a Compensation Event as described in the Lease Agreement;

(vi) any Directive Letter issued by the Port Authority pursuant to the Lease Agreement;

(vii) any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's cost of performing the D&C Work (other than D&C Work performed with respect to the New Improvements, which is addressed in clause (viii) below); provided, that for the purposes of this clause (vii), Change in Law and Applicable Standards Change will exclude (A) any repeal of, amendment or modification to, or written change in interpretation of, any Applicable Standard or Applicable Law, as the case may be, by the federal government or any agency or political subdivision thereof or by the Port Authority in order to comply with or implement any federal Change in Law or Applicable Standards Change; or (B) any adoption or enactment of any new Applicable Standard or Applicable Law, as the case may be, by the federal government or any agency or political subdivision thereof or by the Port Authority in order to comply with or implement any new federal Applicable Standard or Applicable Law;

(viii) any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's cost of performing the D&C Work with respect to the New Improvements;

(ix) any change by the Port Authority to the General Conditions or the technical requirements taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's cost of performing the D&C Work;

(x) any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impacts the Borrower's performance of the Operations and Maintenance Work in a way that increases operating expenditures or necessitates additional capital expenditures; but in each case, excluding any Discriminatory Change in Law and Discriminatory Applicable Standards Change that may be promulgated or applied from time to time (A) in the interest of public health, (B) in response to an emergency or (C) that is intended to

bring the Operations and Maintenance Work into compliance with best management practices so long as applied in a non-discriminatory manner;

(xi) the issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law based on a claim that challenges the Port Authority's authority to enter into the Lease Agreement or the transactions contemplated thereby under New York Unconsolidated Laws Sections 6631-6647, which injunction or order prohibits or enjoins prosecution of the Work for more than ninety (90) consecutive days;

(xii) any failure or delay by the Port Authority to obtain a Port Authority governmental approval it is required to obtain pursuant to the Project Documents, or, with respect to governmental approvals the Borrower is required to obtain pursuant to the Project Documents for which the Borrower has requested information or requires a signature from the Port Authority, any failure or delay by the Port Authority to provide such information or signature, subject to the terms of the Lease Agreement, within the specified time period, or, if no time period is specified, then within a reasonable time period after the request from the Borrower to provide such information or signature; provided, that no such failure or delay will be deemed to be a Compensation Event to the extent it is due to a Force Majeure Event with respect to the Port Authority and for so long as the Port Authority and the Borrower are coordinating the resumption of performance as set forth below;

(xiii) any breach by the Port Authority of any material obligation under the Lease Agreement (to the extent not covered otherwise by any of the other events specified in this section) to the extent the Net Revenue Impact and Net Cost Impact caused by such breach exceed \$10,000,000 per occurrence;

(xiv) the occurrence of certain conditions relating to the Environmental Requirements described in the Lease Agreement for which the Borrower is entitled to recover Incremental Environmental Damages;

(xv) the discovery of any Unknown Endangered Species by the Borrower during the carrying out of the Construction Work;

(xvi) the discovery of any Unknown Archaeological Remains by the Borrower during the carrying out of the Construction Work;

(xvii) the discovery of any unknown Utility, tank or tank system by the Borrower during the carrying out of the Construction Work that causes a Net Cost Impact to the Borrower's performance of the Construction Work, to the extent such Net Cost Impact exceeds \$1,000,000 per occurrence or, taken together with all other amounts of Net Cost Impact with respect to previous occurrences of a Compensation Event under this clause (xvii), exceed \$5,000,000 in the aggregate;

(xviii) the discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that causes a Net Cost Impact to the Borrower's performance of the Construction Work, to the extent such Net Cost Impact exceeds \$1,000,000 per occurrence or, taken together with all other amounts of Net Cost Impact with respect to previous occurrences of a Compensation Event under this clause (xviii), exceed \$5,000,000 in the aggregate;

(xix) the issuance by the Port Authority of any Qualifying Safety Compliance Order;  
or



(xx) any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Law that has, or could reasonably be expected to have, a direct, material and adverse impact on the Borrower's performance of the Work;

except, in each case, to the extent arising by reason of or attributable to (A) the negligence or willful misconduct of a Borrower-Related Entity or (B) any act or omission by a Borrower-Related Entity in breach of the provisions of the Lease Agreement or any other Project Document.

If any of the events described in clauses (i) through (iv) and (xii) of this section are deemed not to be a Compensation Event under the Lease Agreement due to the occurrence of a Force Majeure Event with respect to the Port Authority, the Design-Builder and the Borrower will coordinate with each other and the Port Authority in good faith to resume the performance relevant to the event as soon as reasonably practicable following the cessation of such Force Majeure Event, with the Design-Builder's understanding, acknowledgement and agreement that the nature of certain Force Majeure Events may preclude or hamper the Port Authority's ability to resume performance immediately, notwithstanding that the Force Majeure Event has ceased. The Design-Builder will be entitled to make claims for Equivalent Project Relief pursuant to the terms of the Design-Build Contract with respect to any Force Majeure Event for which the Borrower has a right to seek Primary Project Relief. Further, if an event is not deemed to constitute a Force Majeure Event due to any act or omission by a Borrower-Related Entity (other than an act or omission of a DB Party) described under clauses (a), (b), (d) or (e) of the definition of Force Majeure Event, then such act or omission will constitute a breach of the Design-Build Contract by the Borrower.

Subject to the terms of the Design-Build Contract, the Design-Builder will give written notice to the Borrower within twenty-five (25) days following the date on which the Design-Builder first became aware (or should have become aware, using all reasonable due diligence) that an event has occurred that the Design-Builder claims is a Compensation Event (a "DB Compensation Event Notice"). The DB Compensation Event Notice will include such information as may be needed to enable the Borrower to submit such claim to the Port Authority in accordance with the requirements of the Lease Agreement, including (A) the claimed Compensation Event and its date of occurrence in reasonable detail, (B) any underlying disagreement or ambiguity of a technical nature contributing to or affecting the claimed Compensation Event, (C) the amount by which the Design-Builder claims the Contract Price should be adjusted as a result of the Compensation Event and details of the calculation thereof, which will include a calculation of the Delay LDs that would be payable by the Design-Builder to the extent that the Compensation Event causes the DB D&C Work to extend beyond any relevant Delay LDs Date, provided that, if the amount of the applicable Contract Price adjustment and details of the calculation thereof are not available within the notice period required herein, the Design-Builder may submit an estimate of the amount of such Contract Price adjustment, or if known, the actual amount claimed as a Contract Price adjustment and details of the calculation thereof no later than twenty-five (25) days from submission of the DB Compensation Event Notice to the Port Authority, which estimate or actual amount may be updated one time thereafter within twenty-five (25) days from the last submission thereof to the Port Authority (or at other times, if reasonably requested by the Borrower or the Port Authority), and (D) evidence reasonably satisfactory to the Borrower and the Port Authority that such event could not reasonably be avoided by the Design-Builder without material cost or delay, including by re-sequencing, reallocating or redeploying its forces to other portions of the DB D&C Work. Pursuant to the terms of the Lease Agreement, for the avoidance of doubt, none of the Borrower's estimated Net Cost Impact or the Net Revenue Impact will include any projected impacts to cost of operations and maintenance, or revenues derived from the operation, of the Central Hall and no Net Revenue Impact will be deemed to apply to any Compensation Event affecting solely the Central Hall and not affecting the rest of the Premises or Construction Work or Operations and Maintenance Work on the Premises generally. The

Borrower will submit a Compensation Event Notice to the Port Authority under the Lease Agreement based on the DB Compensation Event Notice submitted by the Design-Builder and thereafter the Borrower will assert its rights under the Lease Agreement with respect to the Compensation Event claimed by the Design-Builder, in accordance with the requirements of the Design-Build Contract.

For purposes of the Design-Builder submitting a claim for Equivalent Project Relief under the Design-Build Contract, the Design-Builder will bear the burden of proving the occurrence of a claimed Compensation Event and the resulting impacts on the Contract Price or otherwise on the Design-Builder.

If, for any reason, the Design-Builder fails to deliver such written DB Compensation Event Notice within the time period required by the Design-Build Contract, the Design-Builder will be deemed to have irrevocably and forever waived and released any claim or right to Equivalent Project Relief or other relief that the Design-Builder may otherwise have been able to claim as a Compensation Event.

Pursuant to the terms of the Lease Agreement, (1) after the Borrower submits a Compensation Event Notice, the Port Authority may, but is not required to, obtain, at its sole cost and expense, (A) from a technical consultant, a comprehensive report as to the Borrower's estimate of the Net Cost Impact attributable to the claimed Compensation Event (including the amount by which the Design-Builder claims the Contract Price should be adjusted as a result of the Compensation Event) and/or (B) from a revenue consultant, a revenue study, prepared in accordance with best management practice, analyzing and calculating the estimated Net Revenue Impact attributable to the claimed Compensation Event, if applicable; (2) without prejudice to the foregoing, the Port Authority may, but is not required to, prepare any such report or study on its own behalf; (3) if it is finally determined in accordance with the terms of the Lease Agreement that the Borrower's estimates of the Net Cost Impact or the Net Revenue Impact are materially incorrect, the Borrower will reimburse the Port Authority for its reasonable costs and expenses in connection with the preparation of any such report or study by the Port Authority or a consultant; and (4) within ninety (90) days after receiving a Compensation Event Notice and the supporting documentation required by the Design-Build Contract or such other time period reasonably necessary for the Port Authority to procure the services of one or more consultants and obtain such reports or studies, the Port Authority will provide to the Borrower a copy of any such reports the Port Authority has elected to obtain or prepare, as the case may be. The Borrower will provide the Design-Builder, as soon as practicable and in any event no less than five (5) business days of receipt from the Port Authority, a copy of such portions of any such reports delivered to the Borrower pursuant to clause (4) above that are applicable to Contract Price adjustment prepared by the Design-Builder, and the Design-Builder will be responsible for payment of any reimbursement due to the Port Authority under clause (3) to the extent such reimbursement obligation relates to the Design-Builder's estimates of the Contract Price adjustment provided to the Borrower pursuant to the Design-Build Contract.

The Borrower will conduct all discussions and negotiations with the Port Authority to determine any Borrower Damages, subject to the Design-Builder's rights to participate in discussions with the Port Authority related to Primary Project Relief as provided in the Design-Build Contract. The Design-Builder will share with the Borrower all data, documents and information pertaining to the relevant claimed Compensation Event, and exchange, on an "open book" basis, plans, drawings, configuration and other information related to the claimed Compensation Event and projected impact on the Contract Price and the DB D&C Work, all of which the Borrower will provide to the Port Authority.

The Design-Builder will, and will cause each of its DB Subcontractors and suppliers to, take all steps reasonably necessary to mitigate the amount of Borrower Damages attributable to, and other consequences of, any Compensation Event, including all steps that would generally be taken in accordance with best management practice, including filing a timely claim for insurance and pursuing such claims in accordance with the Design-Build Contract. In the event that the Design-Builder fails to

take (or to cause its DB Subcontractors to take) mitigation measures as required pursuant to this clause (iv), the amount of the Design-Builder's recovery will be reduced to the extent that such mitigation measures, if taken, would have reduced the amount of the Reasonable DB Claims.

Pursuant to the terms of the Lease Agreement, (1) if the Port Authority disagrees (A) that a Compensation Event claimed by the Borrower has occurred or (B) with the Borrower's entitlement to or amount of Borrower Damages claimed by the Borrower, pursuant to the Lease Agreement, the Borrower and the Port Authority will commence good faith negotiations to resolve the dispute within one hundred twenty (120) days after the delivery of the Compensation Event Notice; provided, that the Chief Engineer will retain the authority to resolve any disputes of a technical nature as provided in the terms of the Lease Agreement within the same one hundred twenty (120)-day period; and (2) if the dispute cannot be resolved within such one hundred twenty (120)-day period, then either the Port Authority or the Borrower, by written notice to the other party, may terminate the negotiations and submit the dispute for resolution in accordance with the terms of the Lease Agreement (provided, that the period for resolution of the dispute via mediation will be reduced to thirty (30) days after the initiation of mediation proceedings for the purpose of this; provided, that the Lease Agreement requires the Port Authority to proceed to make payment to the Borrower of the undisputed portion of the Borrower Damages in accordance with the terms of the Lease Agreement without regard to the Port Authority dispute resolution procedures. The Borrower will pay the portion of such undisputed Borrower Damages attributable to an adjustment of the Contract Price over to the Design-Builder in accordance with the Design-Build Contract. Notwithstanding anything in the foregoing, pursuant to the Lease Agreement, (1) the payment of any Borrower Damages (including any amount payable to the Design-Builder pursuant to Equivalent Project Relief) in respect of any Compensation Event that is agreed between the Borrower and the Port Authority or is determined pursuant to the Port Authority dispute resolution procedures is subject to the prior written approval of the Board of Commissioners in accordance with the bylaws of the Port Authority; provided, further, that approval of the Board of Commissioners which would otherwise be required by such bylaws will not be required for a final judgment for payment of Borrower Damages (including any amount payable to the Design-Builder pursuant to Equivalent Project Relief) by a court of competent jurisdiction, for which all rights to appeal have either been exhausted or have expired; and (2) if approval of the Board of Commissioners is required in accordance with such bylaws, the Port Authority is required to seek to obtain it in an expeditious and diligent manner, consistent in all respects with Applicable Law.

The Design-Builder's rights with respect to Equivalent Project Relief pursuant to the Design-Build Contract (including the Design-Builder's rights against the Borrower to enforce the Borrower's obligations thereunder with respect to claims for Equivalent Project Relief) will be the sole and exclusive rights of the Design-Builder to relief for the adverse effects of a Compensation Event.

### **Delay Events**

Delay Events are defined in the Lease Agreement as meaning any of the following events or conditions (subject to the limitations and other provisions set forth in the Lease Agreement) that causes a delay in the Borrower's performance of the Work or adversely affect the Borrower's ability to perform the Work in compliance with the Project Documents, but only if and to the extent that such event or condition cannot be overcome by consumption of available Float (provided, that, the Borrower will not be required to consume available Float with respect to the events described in clauses (ii) through (v), (xi), (xii), (xiii) and (xxi) of this section):

- (i) the occurrence of any Force Majeure Event with respect to the Borrower or any other Borrower-Related Entity;

(ii) any failure by the Port Authority to complete, or cause to be completed, any work carried out in connection with any Supporting Project by the applicable Supporting Project milestone;

(iii) performance of work at or immediately adjacent to the Premises carried out by the Port Authority or its contractors (or by Delta in respect of the Other Redevelopments) that materially damages or disrupts the Construction Work so as to cause a material delay to the scheduled New Facilities Construction Milestone Completion Dates, the scheduled Substantial Completion Date and/or the scheduled Final Acceptance Date set forth in the Project Baseline Schedule;

(iv) any failure by the Port Authority to respond in accordance with the Lease Agreement or the other Project Documents to any submittal subject to Port Authority approval within the time period provided therefor under the schedule of submittals, the Requirements and Provisions for Work, or the terms of the Lease Agreement, as applicable; provided, that no such failure will be deemed to have occurred if due in whole or in part to (A) the submission of incomplete or unresponsive documentation by the Borrower for Port Authority approval, or (B) review by Governmental Entities required in connection with submittals for Port Authority approval where such review is required and cannot be completed or independently obtained by the Borrower;

(v) any delay or failure by the Port Authority to issue a TCAO with respect to a New Facilities Construction Milestone or a Construction Segment, as applicable, a Certificate of Substantial Completion, a Certificate of Central Hall Substantial Completion, a Certificate of Final Acceptance or a Notice to Proceed within the time set forth herein if, in each case, all conditions to issuance of such certificate or Notice to Proceed have been fully satisfied;

(vi) any suspension of the D&C Work by the Port Authority that constitutes a Delay Event pursuant to the Lease Agreement;

(vii) any Directive Letter issued by the Port Authority pursuant to the Lease Agreement;

(viii) any Change in Law or Applicable Standards Change taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's performance of the D&C Work;

(ix) any change by the Port Authority to the General Conditions or the technical requirements taking effect prior to the Substantial Completion Date that materially and adversely impacts (notwithstanding the Borrower's reasonable efforts to mitigate) the Borrower's performance of the D&C Work;

(x) any Discriminatory Change in Law or Discriminatory Applicable Standards Change that materially and adversely impacts the Borrower's performance of the Operations and Maintenance Work; but in each case, excluding any Discriminatory Change in Law and Discriminatory Applicable Standards Change that may be promulgated or applied from time to time (A) in the interest of public health, (B) in response to an emergency or (C) that is intended to bring the Operations and Maintenance Work into compliance with best management practices so long as applied in a non-discriminatory manner;

(xi) any failure or delay by the Port Authority to obtain a Port Authority governmental approval it is required to obtain pursuant to the Project Documents, or, with respect to governmental approvals the Borrower is required to obtain pursuant to the Project Documents but for which the Borrower has requested information or requires a signature from the Port Authority, any failure or delay by the Port Authority to provide such information or signature, subject to the terms of the Lease Agreement, within the specified time period, or, if no time period is specified, then within a reasonable time period after the request from the Borrower to provide such information or signature;

(xii) any breach by the Port Authority of any material obligation under the Lease Agreement (to the extent not covered otherwise by any of the other events specified in this section);

(xiii) the issuance of any injunction, restraining order or other similar legal order by a court of competent jurisdiction under Applicable Law based on a claim that challenges the Port Authority's authority to enter into the Lease Agreement or the transactions contemplated hereby under New York Unconsolidated Laws Sections 6631-6647, which injunction or order prohibits or enjoins prosecution of the Work;

(xiv) the occurrence of certain conditions relating to the Environmental Requirements described in the Lease Agreement for which the Borrower is entitled to schedule relief pursuant to the terms of the Lease Agreement;

(xv) the discovery of any Unknown Endangered Species by the Borrower during the carrying out of the Construction Work;

(xvi) the discovery of any Unknown Archaeological Remains by the Borrower during the carrying out of the Construction Work;

(xvii) the discovery of any unknown Utility, tank or tank system by the Borrower during the carrying out of the Construction Work that adversely impacts the Borrower's performance of the Construction Work;

(xviii) the discovery of any Unknown Geotechnical Conditions during the carrying out of the Construction Work that adversely impacts the Borrower's performance of the Construction Work;

(xix) the issuance by the Port Authority of any Qualifying Safety Compliance Order;

(xx) the issuance of a decision or determination by the Chief Engineer pursuant to the Lease Agreement in connection with a dispute involving a purely technical or engineering matter;

(xxi) any final and non-appealable determination by a court of competent jurisdiction finding a violation by the Port Authority of Applicable Law that has, or could reasonably be expected to have, a direct, material and adverse impact on the Borrower's performance of the Work; or

(xxii) any Lessee Change Request approved by the Port Authority that implements an Airline Requested Change pursuant to the Lease Agreement;

except, in each case, to the extent arising by reason of or attributable to (A) the negligence or willful misconduct of a Borrower-Related Entity or (B) any act or omission by a Borrower-Related Entity in breach of the provisions of the Lease Agreement or any other Project Document.

Subject to the terms of the Design-Build Contract, the Design-Builder will give written notice to the Borrower within twenty-five (25) days following the date on which the Design-Builder first became aware (or should have become aware, using all reasonable due diligence) that an event affecting the DB D&C Work has occurred that the Design-Builder claims is or is likely to become a Delay Event (provided, that in the case of the same Delay Event being a continuing cause of delay, only one (1) notice will be necessary) (a "DB Delay Event Notice"). The DB Delay Event Notice will include such information as may be needed to enable the Borrower to submit such claim to the Port Authority in accordance with the requirements of the Lease Agreement, including (A) a detailed description of the Delay Event claimed by the Design-Builder, (B) details of the circumstances from which the claimed Delay Event arises, (C) an estimate of the duration of the delay in the performance of obligations pursuant to the Design-Build Contract attributable to such Delay Event and information in support thereof, if known at that time and (D) evidence reasonably satisfactory to the Borrower and the Port Authority that such event could not reasonably be avoided by the Design-Builder without material cost or delay, including by re-sequencing, reallocating or redeploying its forces to other portions of the DB D&C Work. The Design-Builder will also provide such further information relating to the claimed Delay Event as the Borrower or the Port Authority may reasonably require. The Design-Builder may update the information provided in the DB Delay Event Notice once within the twenty-five (25) day period commencing at the submission of the DB Delay Event Notice to the Port Authority (or at other times, if reasonably requested by the Borrower or the Port Authority). The Borrower will submit a Delay Event Notice to the Port Authority under the Lease Agreement including the information in the DB Delay Event Notice submitted by the Design-Builder and thereafter the Borrower will assert its rights under the Lease Agreement with respect to the Delay Event claimed by the Design-Builder, in accordance with the requirements of the Design-Build Contract.

For purposes of the Design-Builder submitting a claim for Equivalent Project Relief under Design-Build Contract, the Design-Builder will bear the burden of proving the occurrence of a Delay Event claimed by the Design-Builder and the resulting impacts on the Design-Builder.

If for any reason the Design-Builder fails to deliver such written DB Delay Event Notice within the time period required by Design-Build Contract, the Design-Builder will be deemed to have irrevocably and forever waived and released any claim or right to time extensions or any other relief with respect to such event that the Design-Builder may otherwise have been able to claim as a Delay Event pursuant to the Design-Build Contract or any DB Project Document.

The Design-Builder will, and will cause each of its DB Subcontractors and suppliers to, take all steps reasonably necessary to mitigate the effects of such event, including all steps that would generally be taken in accordance with best management practice. The Design-Builder will promptly deliver to the Borrower an explanation of the measures being undertaken to mitigate the delay and other consequences of such event. The Design-Builder will notify the Borrower within ten (10) days following the date on which the Design-Builder first became aware (or should have become aware, using all reasonable due diligence) that such event has ceased. In the event that the Design-Builder fails to take (or to cause its DB Subcontractors to take) mitigation measures as required pursuant to this clause (iv), the delay and excuse of performance permitted under this section will be reduced to the extent that such mitigation measures, if taken, would have reduced the impact of such event on the Design-Builder.

Notwithstanding the occurrence of an event that is or may be a Delay Event, the Design-Builder will continue its performance and observance pursuant to the Design-Build Contract of all of its

obligations and covenants to be performed to the extent that it is reasonably able to do so and will use Reasonable Efforts to, and will cause each of its DB Subcontractors and suppliers to use Reasonable Efforts to, minimize the effect and duration of such event. Without limiting the foregoing, the occurrence of a Delay Event will not excuse the Design-Builder from timely payment of monetary obligations pursuant to the Design-Build Contract or compliance with Applicable Law, Applicable Standards, the Requirements and Provisions for Work and other Contract Documents, except temporary inability to comply as a direct result of the Delay Event.

The Lease Agreement provide that, subject to its restrictions and the Borrower giving the Delay Event Notice required in the Lease Agreement, a Delay Event will excuse the Borrower from whatever performance is prevented or delayed by the Delay Event referred to in such notice to the extent set forth in the Lease Agreement.

Pursuant to the Lease Agreement and subject to the requirements and conditions set forth in this section (1) a Delay Event that is agreed between the Port Authority and the Borrower occurring during the Construction Period affecting the performance of the D&C Work will excuse the Borrower from performance of its obligations to perform the DB D&C Work pursuant to the Lease Agreement but only to the extent that such DB D&C Work is directly affected by such Delay Event; and (2) in addition, during the Construction Period, extensions of any Guaranteed New Facilities Construction Milestone Completion Date, the Guaranteed Substantial Completion Date, the Guaranteed Final Acceptance Date and/or the Long Stop Deadline, as applicable, for Delay Events directly affecting the DB D&C Work will be made based on a time impact analysis, using the then-effective Project Baseline Schedule and taking into account impacts of the Delay Events on critical path items, in accordance with the Requirements and Provisions for Work, and will extend the Guaranteed New Facilities Construction Milestone Completion Date(s), the Guaranteed Substantial Completion Date, the Guaranteed Final Acceptance Date and the Long Stop Deadline under the Lease Agreement, as may be applicable, but only to the extent that the Delay Event actually delays the performance of the DB D&C Work beyond such date or deadline; provided, that, with respect to any Delay Event occurring during the Construction Period which solely affects the Central Hall and does not affect the rest of the Premises or DB D&C Work on the Premises generally, extension of the Guaranteed Final Acceptance Date under the Lease Agreement will be permitted, to the extent that such Delay Event actually delays performance of the DB D&C Work beyond such date or deadline, but no extensions will be permitted with respect to any Guaranteed New Facilities Construction Milestone Completion Date, the Guaranteed Substantial Completion Date and/or the Long Stop Deadline under the Lease Agreement in connection with such Delay Event. Upon the occurrence of a Delay Event, the Design-Builder will be entitled to Equivalent Project Relief to the extent and subject to the requirements and conditions set forth in the Design-Build Contract.

Pursuant to the terms of the Lease Agreement, if the Borrower and the Port Authority (i) cannot agree on the extent of any delay incurred or relief from the Borrower's obligations under the Lease Agreement, or (ii) the Port Authority disagrees that a claimed Delay Event has occurred (or as to its consequences) or that the Borrower is entitled to relief under the terms of the Lease Agreement, the Borrower and the Port Authority will resolve the matter in accordance with dispute resolution procedures in the Lease Agreement.

The Design-Builder's rights with respect to Equivalent Project Relief pursuant to the Design-Build Contract (including the Design-Builder's rights against the Borrower to enforce the Borrower's obligations thereunder with respect to claims for Equivalent Project Relief) will be the sole and exclusive rights of the Design-Builder to relief for the adverse effects of a Delay Event.

## **Equivalent Project Relief**

Unless otherwise expressly stated to the contrary in the Design-Build Contract, the Design-Builder will benefit from and have, but not be limited to (unless so limited by the Design-Build Contract), the same rights, benefits and entitlements including to financial compensation or any extension of time or relief from performance of obligations under the Design-Build Contract as those of the Borrower under the Lease Agreement; provided that such rights, benefits or entitlements under the Design-Build Contract (“Equivalent Project Relief”) will be conditional upon the existence and enforcement of a corresponding right, benefit or entitlement of the Borrower under the Lease Agreement (“Primary Project Relief”).

The Design-Builder will provide any claim for Equivalent Project Relief to the Borrower, which in the case of claims for compensation and delay will be submitted in accordance with the Design-Build Contract, within sufficient time and in sufficient detail to enable the Borrower to review such claim and to submit such claim for which Primary Project Relief may be available to the Borrower to the Port Authority in accordance with the requirements of the Lease Agreement. The Borrower will coordinate such Design-Builder claim with any other contractor claims arising from the same event and will ensure that all Reasonable DB Claims are promptly submitted to the Port Authority in accordance with the Lease Agreement, as applicable.

The Borrower will promptly forward and process all Reasonable DB Claims, including Delay Events or Compensation Events, to the Port Authority as claims for Primary Project Relief. The Borrower will use Reasonable Efforts to pursue and prosecute diligently all such claims for Primary Project Relief in good faith with the Port Authority, and the parties will pay, to the extent that such expenses are not paid by the Port Authority, their own respective costs and expenses incurred in the pursuit of any Reasonable DB Claim, including reporting and compliance expenses. Notwithstanding the foregoing, the Borrower may decline to pursue any claim provided by the Design-Builder that the Borrower determines (in its reasonable discretion) and informs the Design-Builder in writing, within two (2) business days of receipt from the Design-Builder of the claim for Equivalent Project Relief (including all required supporting documentation), is not a Reasonable DB Claim.

Any dispute with respect to whether a claim submitted pursuant to the Design-Build Contract by the Design-Builder constitutes a Reasonable DB Claim will be subject to the DB Dispute Resolution Procedure set forth in the Design-Build Contract unless the Lease Agreement requires resolution of such dispute pursuant to its terms. If the DB Dispute Resolution Procedure determines that a claim provided by the Design-Builder was a Reasonable DB Claim and the Borrower failed to submit such Reasonable DB Claim, the Borrower will promptly submit such Reasonable DB Claim to the Port Authority or, if such Reasonable DB Claim is time barred by the Lease Agreement, the Borrower will promptly pay the Design-Builder the amount of Equivalent Project Relief that the Design-Builder would have otherwise been entitled to receive with respect to such Reasonable DB Claim (as determined pursuant to a further DB Dispute Resolution Procedure, if necessary).

At the Borrower’s request, the Design-Builder will participate in discussions with the Port Authority with respect to any claim for Primary Project Relief relating to the Design-Builder’s obligations under the Design-Build Contract. To the extent Borrower has not requested Design-Builder’s participation in such discussions, the Design-Builder will have the right (i) to consult with the Borrower; (ii) to participate in such discussions solely with respect to claims of a technical nature or with respect to Reasonable DB Claims; and (iii) to attend and observe such discussions with respect to all other claims that pertain to the Design-Builder. In all discussions with the Port Authority, the Borrower will take the lead, and the Design-Builder will not initiate discussions with the Port Authority with respect to any claim for Primary Project Relief relating to the Design-Builder’s obligations under the Design-Build Contract without the prior written consent of the Borrower. Except as expressly provided in the Design-Build



Contract, the Design-Builder will have no separate right to claim against the Borrower or its designees in connection with a claim for Primary Project Relief.

In the event that the Design-Builder approves the settlement of a Reasonable DB Claim with the Port Authority or, if there is no such settlement, the Borrower uses Reasonable Efforts to prosecute a Reasonable DB Claim to completion through the dispute resolution procedures set forth in the Lease Agreement, then (i) the amount payable to the Design-Builder will equal the amount designated in such settlement or dispute resolution procedure as being attributable to such Reasonable DB Claim (provided, however, if such settlement or dispute resolution procedure also includes claims other than such Reasonable DB Claim (e.g., a Borrower-initiated claim), and if the settlement or dispute resolution procedure does not identify a specific amount payable for such Reasonable DB Claim, then the amount payable to the Design-Builder will be the percentage of the total amount to be paid by the Port Authority that such Reasonable DB Claim bears to all the claims that were submitted to the Port Authority and settled or resolved through such settlement or dispute process) and (ii) the payment of such amount to the Design-Builder by the Borrower will be conditioned upon the Borrower first receiving sufficient payment from the Port Authority through Primary Project Relief. Notwithstanding the foregoing, if under such circumstances the full amount paid by the Port Authority through Primary Project Relief is less than the amount payable to the Design-Builder set forth in sub-clause (i) as a result of an offset in the overall payment by the Port Authority to reflect additional revenue or cost savings to the Borrower (i.e., attributable to increased operations and maintenance revenues or cost savings), then the amount payable to the Design-Builder will be the amount identified in sub-clause (i) above even if the full amount thereof is not received from the Port Authority.

The Borrower may also settle any Reasonable DB Claim without the prior consent of the Design-Builder, but if in such circumstances the amount requested in such Reasonable DB Claim is greater than the amount for which the Borrower settles such Reasonable DB Claim, then the Design-Builder may bring a claim against the Borrower in respect of such difference.

The Design-Builder will use Reasonable Efforts to assist the Borrower in the Borrower's pursuit of potential sources of funds or reimbursement from any third-party source to offset Borrower Damages, as required by the Lease Agreement.

If the amount payable to the Design-Builder with respect to a Reasonable DB Claim pursuant to the Design-Build Contract is decreased by the Port Authority pursuant to the Lease Agreement to reflect insurance proceeds or amounts recovered from third-party sources pursuant to the Design-Build Contract, the Design-Builder will be entitled to payment of any such insurance proceeds or amounts recovered from third-party sources promptly upon the receipt of same by the Borrower from the applicable insurance provider, sublessee or other third-party source.

In the event the Port Authority elects to prepay any Borrower Damages pursuant to the Lease Agreement, the Borrower will not be required to prepay to the Design-Builder any such amount. Such amount received from the Port Authority for future costs to be incurred in the performance of DB D&C Work that are payable to the Design-Builder pursuant to the Design-Build Contract will instead be paid to the Design-Builder when such costs are paid or incurred by the Design-Builder and thereafter become payable pursuant to the payment provisions of the Design-Build Contract.

## **Delay and Compensation for Delay; Liquidated Damages**

### ***Facilitation of the DB D&C Work***

The Borrower and the Design-Builder will be required to perform their respective contractual obligations under the Design-Build Contract to facilitate the timely commencement, performance and completion of the DB D&C Work in accordance with the Project Baseline Schedule.

### ***Entitlement to Extension of Time or Compensation***

The Design-Builder will be entitled to adjustments to the Contract Price and Project Baseline Schedule as and to the extent set forth in the Design-Build Contract (and, if applicable, subject to the restrictions in the definition of “Delay LD Dates,” to the Delay LDs Dates). In addition, the Design-Builder will be entitled, pursuant to the procedures set forth in the Design-Build Contract, to an extension of time in respect of the DB Substantial Completion Deadline, the DB Final Acceptance Deadline and the DB New Facilities Construction Milestone Deadlines, and compensation for such additional time, and an extension of time in respect of the Delay LDs Dates, in each case (1) to the extent attributable to a Developer Suspension or a Developer Act and (2) if the Design-Builder provides evidence reasonably satisfactory to the Borrower that such applicable event(s) could not reasonably be avoided by the Design-Builder without material cost or delay, including by re-sequencing, reallocating or redeploying its forces to other portions of the DB D&C Work; provided, that:

(i) to the extent that any such delay or damages are attributable to a Developer Act or a Developer Suspension and, as a result, are not entitled to relief pursuant to Equivalent Project Relief, the Borrower will be required to compensate the Design-Builder for the reasonable costs actually incurred by the Design-Builder that resulted from such delay (including any direct costs, mitigation costs, payments to DB Subcontractors and suppliers, de-mobilization and, if applicable, re-mobilization costs), plus reasonable overhead and profit on such costs, subject to determination of such costs in accordance with the Design-Build Contract;

(ii) to the extent such delay or damages are not attributable to a Developer Act or a Developer Suspension, the Borrower will not be required to compensate the Design-Builder for any additional costs incurred by the Design-Builder that resulted from such delay; and

(iii) any delay or increase in costs of DB D&C Work caused by failure to obtain or maintain (or caused by a delay in obtaining or maintaining) any governmental approval required to be obtained by the Design-Builder under Applicable Law, Applicable Standards or by the DB Project Documents will be at the Design-Builder’s sole risk, except to the extent that Equivalent Project Relief is obtained or such failure or delay is caused by a Developer Act or Developer Suspension.

### ***Delay LDs***

Subject to the provisions described above under “Entitlement to Extension of Time or Compensation,” each of the following Delay LDs (or any combination thereof, as applicable) will be payable by the Design-Builder:

(i) if the Design-Builder fails to achieve the first New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder will be required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$58,598.95

(ii) if the Design-Builder fails to achieve the second New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder will be required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$26,627.26;

(iii) if the Design-Builder fails to achieve the third New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder will be required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$261,292.13;

(iv) if the Design-Builder fails to achieve the fourth New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder will be required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$38,938.45;

(v) if the Design-Builder fails to achieve the fifth New Facilities Construction Milestone by the applicable Delay LDs Date, the Design-Builder will be required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the New Facilities Construction Milestone Completion Date at a daily rate of \$112,923.60; and

(vi) if the Design-Builder fails to achieve Substantial Completion by the applicable Delay LDs Date, the Design-Builder will be required to pay Delay LDs to the Borrower during the period from the applicable Delay LDs Date until the Substantial Completion Date at a daily rate of (x) to and including December 31, 2022, \$53,093.83 or (y) after December 31, 2022, \$83,756.82.

Subject to the terms of the Design-Build Contract, each of the Delay LDs will accrue daily and will be payable on the last day of the month in which the Design-Builder failed to achieve the relevant New Facilities Construction Milestone and on the last day of each subsequent month until and including the month in which the New Facilities Construction Milestone is achieved.

The Delay LDs will be the only damages payable by the Design-Builder for any delay in achieving Partial Completion by a particular DB New Facilities Construction Milestone Deadline or Substantial Completion by the DB Substantial Completion Deadline or for failure to achieve Final Acceptance by the DB Final Acceptance Deadline; provided, that, this paragraph (1) is without prejudice to any right of the Borrower to terminate the Design-Build with respect to a Design-Builder Event of Default, which termination will not limit the Borrower's right to claim for any damages (other than Delay LDs, unless past due) that result from such termination due to the Design-Builder, (2) for greater certainty, is without prejudice to any right of the Borrower to claim against the Design-Builder in respect of any deductions in the payments to be made by the Port Authority to the Borrower under the Lease Agreement, and (3) will not limit the Design-Builder's liability for defects or deficiencies in the DB D&C Work, or in the performance of the DB D&C Work, or for the Design-Builder's failure to perform its other obligations under the DB Project Documents.

In the event of any Compensation Event or Delay Event, the Design-Builder will not be excused from its obligation to pay Delay LDs, except that (1) such Delay LDs will be reduced by the amount of any insurance recovery with respect thereto in accordance with the paragraph below, and (2) from the date of any Indicative Termination Notice until the date, if any, on which the Borrower orders the Design-Builder to resume DB D&C Work, no such Delay LDs will be payable by the Design-Builder.

If the Borrower receives proceeds from an insurance policy for the loss of revenue arising from a delay, any liability of the Design-Builder to pay Delay LDs with respect to such delay will be reduced to the extent of such insurance proceeds (provided that no reduction will be permitted until the Delay LDs paid by the Design-Builder first account for any applicable insurance deductible). If the insurance proceeds are not received until after the Design-Builder has paid Delay LDs to the Borrower pursuant to the Design-Build Contract, the Borrower will reimburse the Design-Builder in an amount equivalent to such insurance proceeds received, less any applicable insurance deductible (up to the amount of Delay LDs actually paid by the Design-Builder with respect to such delay), promptly after receipt of the same. The Borrower will use Reasonable Efforts to pursue payment from its existing insurance providers for the loss of revenue arising from Project Baseline Schedule delays.

***Delay Caused by Developer Suspension or Developer Act***

If the Design-Builder becomes aware of any Developer Suspension or Developer Act that is likely to cause the Design-Builder to fail to achieve (1) Partial Completion after any Guaranteed New Facilities Construction Milestone Completion Date or (2) Substantial Completion after the Guaranteed Substantial Completion Date, the Design-Builder will notify the Borrower as soon as reasonably practicable, and in any event no later than ten (10) business days after the Design-Builder becomes aware of the same. The parties will, within ten (10) days of any such notification or claim, meet in good faith and seek to agree on steps to be taken to rectify or mitigate such delay. Any dispute not resolved during such meeting(s) as to the anticipated length of delay or the attributable costs with respect thereto will be referred to the DB Dispute Resolution Procedure. The DB New Facilities Construction Milestone Deadlines and the DB Substantial Completion Deadline, as applicable, will be extended by the period of delay attributable to such Developer Suspension or Developer Act, as determined either (1) in accordance with an agreement of the parties or (2) pursuant to the DB Dispute Resolution Procedure, in each case in accordance with the terms of the Design-Build Contract. Failure of the Design-Builder to give notice as required by this paragraph will not be deemed to be a material breach of the Design-Build Contract.

Further, if the Design-Builder desires to assert any claim for an extension of time in respect of (i) the DB Substantial Completion Deadline, the DB Final Acceptance Deadline or the DB New Facilities Construction Milestone Deadlines, or compensation for such additional time, or (ii) any Delay LDs Date, in each case as provided by this section, the Design-Builder will be required to submit such claim to the Borrower in accordance with the procedures (including submission deadlines and informational requirements) set forth in the terms of the Design-Build Contract with respect to DB Compensation Event Notices and the terms of the Design-Build Contract with respect to DB Delay Event Notices, as applicable.

To the extent that there is any dispute between the parties as to the length of the period attributable to any Developer Suspension or any Developer Act, the Design-Builder will be entitled to relief for the undisputed portion of such delay in the interim, with the balance to be determined in accordance with the DB Dispute Resolution Procedure.

If, solely and directly as a result of a Developer Act or Developer Suspension, the Borrower fails to obtain an extension of any Guaranteed New Facilities Construction Milestone Completion Date or the Guaranteed Substantial Completion Date under the Lease Agreement and the parties determine (pursuant to this section) that such extension would have otherwise been granted and resulted in an extension of any Guaranteed New Facilities Construction Milestone Completion Date or the Guaranteed Substantial Completion Date of greater than thirty (30) days, then the Borrower may elect (by written notification to the Design-Builder) to require the Design-Builder to use its best efforts to accelerate the DB D&C Work to achieve Partial Completion or Substantial Completion, as applicable, by the applicable non-extended date and, if the Borrower so elects, the Borrower will pay the Design-Builder for the reasonable costs and

expenses incurred by the Design-Builder in so using its best efforts to accelerate the DB D&C Work, plus reasonable overhead and profit on the same, with such payment to be made in accordance with a schedule of additional payments to be agreed upon by the parties, acting reasonably (with the expectation that payment would be due and payable, generally, as the acceleration costs or expenses are incurred, but in no event more frequently than on a bi-weekly basis). The Design-Builder's failure to make up the delay in time attributable to such Developer Act and to achieve Partial Completion or Substantial Completion, as applicable, by the non-extended date will not result in any additional liability for Delay LDs or constitute a Design-Builder Event of Default so long as the Design-Builder used best efforts to meet the accelerated schedule.

### ***Float***

For the avoidance of doubt, the Design-Builder, rather than the Borrower, will be required to have the benefit of any Float included in the Project Baseline Schedule, and the Design-Builder will be required to not be required to use any available Float except as explicitly required pursuant to the Lease Agreement.

## **Environmental, Health and Safety Requirements**

### ***General Design-Builder Obligations***

Under the Design-Build Contract, the Design-Builder is responsible for the design and construction of the Construction Project so that it complies with and can be operated in compliance with all Environmental Requirements. Generally, all Environmental Requirements related to the Borrower's and the Design-Builder's rights to use the Premises and the areas subject to the Temporary Rights of Access and activities with respect to the DB D&C Work at the Premises and the Temporary Rights of Access are the responsibility of the Design-Builder, and the Design-Builder is responsible for all costs, losses, liabilities, damages and operational requirements arising under or with respect to such Environmental Requirements.

The Design-Builder is required to, among other things, (i) prepare an environmental management plan setting forth the design and construction requirements, operational procedures, documentation and other information required to ensure compliance with Environmental Requirements in connection with the DB D&C Work; (ii) identify and obtain any Governmental Approvals required under Environmental Laws in connection with the DB D&C Work; (iii) assume responsibility for the performance of and breaches of the Design-Builder's obligations and responsibilities by all DB Parties and other persons using space within the Premises or the areas subject to the Temporary Rights of Access with the permission of the Design-Builder; (iv) prepare certain environmental plans in accordance with the Environmental Requirements in the Design-Build Contract (including, without limitation, with respect to spill prevention, control and countermeasures, stormwater pollution prevention, erosion control, health and safety, and indoor air quality management); and (v) prepare environmental notices, submittals and reports. The Design-Builder is also required to design and construct the Premises to achieve LEED Silver Certification, and obtain as many additional credits for LEED Gold Certification as are reasonably obtainable.

The Design-Builder is responsible for the proper storage, sampling, classification, handling and disposal of all Excavated Materials and Demolition Debris generated in connection with the DB Construction Work, including lead-containing materials, asbestos-containing materials and hazardous wastes. Materials being disposed of off-site must be sent to Approved Disposal Locations. The Design-Builder is required to pump, store and treat (to the extent treatment is necessary to comply with the airport's storm water discharge permit) groundwater encountered during excavation. The Design-Builder

is also required to notify the Borrower and the Port Authority if it identifies a Hazardous Environmental Condition during the DB Construction Work that may require Remedial Action on the basis of odors visual observation or other information, and to conduct Remedial Action with respect to such condition, subject to certain cost recovery rights, if the Port Authority and the Borrower direct it to do so. The Design-Build Contract provides that remediation of Hazardous Condition outside of the areas to be excavated during the DB Construction Work are the Authority's responsibility.

### ***Exclusions, Risk Allocation and Remedies***

The Design-Builder is generally responsible for all costs, losses, liabilities, damages and operational requirements arising under or with respect to the compliance with the Environmental Requirements with respect to the DB D&C Work. The Design-Builder's liability is subject to certain exclusions, risk re-allocation and remedies. The Design-Builder is not responsible for Remedial Action or Environmental Liabilities arising from (i) a Hazardous Materials Release occurring or existing outside of the Premises and the Temporary Rights of Access on or prior to the DB Contract Effective Date; (ii) Area-Wide Contamination as to which the Port Authority has assumed responsibility for Remedial Action pursuant to the Lease Agreement; (iii) Third-Party Claims relating to Environmental Liability arising from events occurring or existing prior to the DB Contract Effective Date; (iv) fines and penalties imposed by any Governmental Entity with respect to violations of Environmental Law based on facts, circumstances or events existing or occurring prior to the DB Contract Effective Date (unless imposed as a result of the Design-Builder's or any Design-Builder Occupant's failure to comply with obligations under the Design-Build Contract); (v) Hazardous Material that migrates onto the Premises or the Temporary Rights of Access for reasons other than an act or omission of the Design-Builder or any DB Party; (vi) the presence at Approved Disposal Locations of Pre-Existing Hazardous Materials disposed of by the Design-Builder during the DB Construction Work in compliance with the Design-Build Contract; (vii) Remedial Action requirements to the extent arising out of any Hazardous Materials Release existing on additional land at the time such additional land was added to the Premises or to the Temporary Rights of Access by any Port Authority change or directive letter; and (viii) claims for removal or other Remedial Action to the extent attributable to Pre-Existing Hazardous Materials in Excavated Materials arising after such Excavated Materials have been permanently backfilled on the Premises in compliance with the Design-Build Contract. In addition, the Design-Builder has the right to make a claim for compensation and delay if it incurs Incremental Environmental Damages in connection with (i) Unknown Hazardous Materials required to be managed as part of the DB Construction Work; (ii) previously undisclosed RCRA-classified hazardous wastes required to be managed as part of the DB Construction Work; (iii) Remedial Action that the DB is required to perform by a Governmental Entity with respect to Pre-Existing Hazardous Materials outside the Excavation Zone, or by the Port Authority under certain circumstances described in the Design-Build Contract; and (iv) the discovery, management and removal of previously undisclosed Tanks of Tank Systems that are required to be removed in order to perform the DB Construction Work or are directed to be removed by the Port Authority.

### **Design-Builder Events of Default**

The occurrence of any one or more of the following events or conditions during the term of the Design-Build Contract will constitute a Design-Builder Event of Default under the Design-Build Contract (each, a "Design-Builder Event of Default"):

(i) the Design-Builder fails to begin the DB Design Work within sixty (60) days of the Port Authority's issuance of the Design NTP;

(ii) the Design-Builder fails to begin the DB Construction Work (i) with respect to the entire Construction Project, within thirty-five (35) days of the Port Authority's issuance of the

Full Construction NTP or (ii) with respect to a Construction Segment, within fifty (50) days of the Port Authority's issuance of the applicable Construction Segment NTP;

(iii) the Design-Builder fails to achieve Substantial Completion by the DB Long Stop Deadline;

(iv) the Design-Builder voluntarily abandons, deserts or vacates the DB Work and Staging Area or discontinues its performance of the DB D&C Work with the intention of not returning to the DB Work and Staging Area or not resuming the DB D&C Work, or any authorized representative of the Design-Builder repudiates the Design-Build Contract in writing;

(v) except in the case of any suspension of the DB D&C Work by the Borrower pursuant to the Design-Build Contract or the Port Authority pursuant to the Lease Agreement, the Design-Builder's discontinuance of the performance of the DB D&C Work for a period of fifteen (15) or more consecutive days, and failure to resume such discontinued DB D&C Work within twenty-five (25) days following the date the Borrower delivers to the Design-Builder written notice to resume such discontinued DB D&C Work;

(vi) the Design-Builder fails (i) to pay any amounts required to be paid to or on behalf of the Borrower or the Port Authority under the Design-Build Contract or (ii) to deposit funds to any reserve or account in the amounts and within the time periods required by the Design-Build Contract; provided, that the payment is not subject to a good faith dispute and such failure continues unremedied or unwaived for a period of ten (10) days following the date on which the Design-Builder and the D&C Guarantors receive written notice from the Port Authority or the Borrower to make such payment or deposit any such funds;

(vii) any representation or warranty made by the Design-Builder in the Design-Build Contract or any other DB Project Document to which the Design-Builder is a party or any certificate delivered by the Design-Builder pursuant to the Design-Build Contract or any other DB Project Document proves to have been false or misleading in any material respect (whether by affirmative statement or omission of statement) as of the time made and the underlying event or circumstances giving rise to such misrepresentation continue without cure for a period of thirty (30) days following the earlier of (i) the date on which the Design-Builder and the D&C Guarantors receive written notice of such circumstances from the Borrower and (ii) the Design-Builder's actual knowledge thereof; provided, that such thirty (30)-day grace period may be extended at the Borrower's reasonable discretion, including where any such discretion is exercised by the Port Authority, if the Design-Builder notifies the Borrower in writing within such thirty (30)-day period that cure cannot be achieved within such period despite the Design-Builder's diligent efforts and the Design-Builder has commenced performance within such thirty (30)-day grace period and continues such performance diligently and continuously to completion (except during the occurrence of any event beyond the Design-Builder's control); provided, further, that cure will be regarded as complete only when the adverse effects of the breach are remedied;

(viii) (1) the Design-Builder fails to comply with the assignment or change in control restrictions set forth in the Design-Build Contract or (2) any lien or a levy under execution or attachment made against all or any material portion of the Premises or any interest therein (including the Borrower's interest) as a result of any lien created, incurred, assumed or suffered to exist by the Design-Builder or any Person claiming through the Design-Builder (other than as a result of the Borrower's failure to pay an undisputed amount due under the Design-Build Contract), will not be discharged or bonded, as applicable, in each case, within fifteen (15) days

after the earlier of (i) the date on which the Design-Builder and the D&C Guarantors receive written notice of such failure from the Borrower and (ii) the Design-Builder's actual knowledge thereof;

(ix) any Insolvency Event with respect to the Design-Builder, any D&C Guarantor or any Design-Builder member;

(x) the Design-Builder fails to comply with the provisions of the Lease Agreement regarding the Port Authority's ground lease with the City to the extent applicable to the DB D&C Work, or the Design-Builder fails to discharge or cause the discharge of a lien on the Premises as required by such ground lease, to the extent applicable to the DB D&C Work and other than as a result of the Borrower's failure to pay an undisputed amount due under the Design-Build Contract, if, in each case, such failure continues without cure for a period of twenty-five (25) days after the earlier of (i) the date on which the Design-Builder and the D&C Guarantors receive written notice of such failure from the Borrower or the Port Authority and (ii) the Design-Builder's actual knowledge thereof;

(xi) the Design-Builder fails to comply with the provisions of (i) the Design-Build Contract relating to compliance with laws and governmental approvals if such failure causes, or in the reasonable opinion of the Port Authority or the Borrower, is likely to cause, the loss of the Airport Operating Certificate, and if such failure is likely to cause the loss of the Airport Operating Certificate, such failure continues without cure for a period of twenty-five (25) days (or such shorter period of time as may be required to comply with FAA direction with respect to such failure) after the date on which the Design-Builder and the D&C Guarantors receive written notice of such failure from the Borrower, or (ii) the Design-Build Contract relating to FAA grants and, if the Port Authority elects in its sole discretion to grant a cure period for such failure under the Lease Agreement, such failure is not cured within such time period;

(xii) the Design-Builder fails to comply, in any material respect, with any insurance requirements set forth in the Design-Build Contract, if such failure is not cured within 75% of the shortest time period provided to the Borrower, if any, under the Lease Agreement or any Financing Document to cure any corresponding event of default;

(xiii) the Design-Builder fails to comply with any written order issued by the Port Authority or the Borrower to suspend, in whole or in part, any DB D&C Work within four (4) days following receipt of such written order by the Design-Builder;

(xiv) the Design-Builder fails to commence and continue the implementation of a Safety Compliance Order or a Directive Letter, to the extent applicable to the DB D&C Work, in accordance with the requirements of the Design-Build Contract and the Lease Agreement within such period of time as set forth in (or accompanied by) such Safety Compliance Order or Directive Letter, as applicable;

(xv) the Design-Builder or any of its DB Subcontractors or suppliers fails in any material respect to cooperate with the Port Authority's Office of Investigations and Audit Department or the project integrity monitor in accordance with the Design-Build Contract;

(xvi) the Design-Builder fails to comply with, perform or observe (other than as otherwise set forth in this section) any obligation, covenant, agreement, term or condition of the Design-Builder in the Design-Build Contract or any other DB Project Document, including, for the avoidance of doubt, the Requirements and Provisions for Work (to the extent within the



scope of the DB D&C Work), and such failure continues unremedied or unwaived for a period of thirty (30) days after the date on which the Design-Builder and the D&C Guarantors receive written notice of such failure from the Borrower or any party to any such DB Project Document, provided, that such thirty (30)-day grace period will be extended for as many days as will be necessary to cure such failure up to a maximum cure period of one hundred-eighty (180) days, where cure by the Design-Builder requires performance by the Design-Builder over a period of time, and the Design-Builder has commenced performance within such thirty (30)-day grace period and continues such performance diligently and continuously to completion (except during the occurrence of any event beyond the Design-Builder's control);

(xvii) disposal of all or a material portion of its assets by (A) the Design-Builder, (B) to the extent it has a material effect on the Design-Builder's ability to duly perform, any Design-Builder member, or (C) to the extent it has a material effect on such D&C Guarantor's or the applicable Design-Builder member's ability to duly perform, any D&C Guarantor;

(xviii) termination by the Port Authority of the Lease Agreement due to any act, omission, or breach by the Design-Builder;

(xix) any DB Lenders' Direct Agreement or DB Direct Agreement becomes invalid, void or unenforceable due to an act or omission of the Design-Builder;

(xx) (1) the Design-Builder's failure to obtain, provide and maintain any bonds, D&C Guarantees, the D&C Letter of Credit or any other Construction Security as and when required under the Design-Build Contract or (2) any breach or default under any D&C Guarantee or under any D&C Letter of Credit that is not cured or waived within thirty (30) days after the date on which the Design-Builder receives written notice thereof from the Borrower (with a copy to each of the D&C Guarantors) or any party to any such D&C Guarantee or D&C Letter of Credit;

(xxi) the Design-Builder's payment obligations of amounts due to the Borrower or any other person under the Design-Build Contract to which the limitation of liability specified in the Design-Build Contract applies (including the sub-limit with respect to Delay LDs) equal or exceed such limitation of liability (or sub-limit), or the Design-Builder so asserts in writing, except to the extent the Design-Builder irrevocably waives such limitation of liability, or agrees to an increase in such limitation of liability, in each case in writing and as and to the extent acceptable to the Borrower in its sole discretion; and

(xxii) failure of the Design-Builder to achieve any New Facilities Construction Milestone by the applicable New Facilities Construction Milestone Default Date.

provided, that with respect to any of the events described in clauses (i) through (v), (xii), (xiii), (xiv), (xvi) and (xxii) above, the occurrence of any such event as a direct and proximate result of a Delay Event or a Compensation Event with respect to the Design-Builder will be deemed not to constitute an event or circumstance that with the lapse of time, the giving of notice or both would constitute a Design-Builder Event of Default, but only for so long as the Delay Event or the Compensation Event is occurring, and any cure periods provided in such clauses will be extended solely to the extent, and for so long as, the ability of the Design-Builder to cure thereunder is directly and adversely affected by a Delay Event or a Compensation Event.

### ***Remedial Plan***

Pursuant to the terms of the Lease Agreement, (1) the Borrower is entitled to cure certain Events of Default by the Borrower under the Lease Agreement by preparing and submitting for Port Authority approval, within the relevant cure period set forth in the Lease Agreement, a remedial plan that will set forth a schedule and specific actions to be taken by the Borrower to cure such Event of Default and, if applicable, reduce the likelihood of such defaults occurring in the future; (2) within twenty (20) days of receiving any Remedial Plan pursuant the Lease Agreement, the Port Authority is required to notify the Borrower whether or not the relevant Remedial Plan is, in the Port Authority's reasonable discretion, acceptable and (3) if more time is needed by the Port Authority to review a proposed Remedial Plan, the Port Authority may extend such twenty (20)-day review period with written notice to the Borrower (provided that the Port Authority will not exercise any of its rights to remedy with respect to such Event of Default as provided in the Lease Agreement for the duration of such extended review period). In the case of any Design-Builder Event of Default described above (other than clauses (vi), (viii), (ix), (xiii), (xiv) and (xv)) that results in an Event of Default by the Borrower under the corresponding provisions of the Lease Agreement, the Design-Builder will be entitled to cure such Design-Builder Event of Default by preparing and submitting such a Remedial Plan for submission to the Port Authority. The actions identified in the Remedial Plan to cure the applicable Design-Builder Event of Default may include improvements to the Design-Builder's quality management practices, plans and procedures, revising and restating management plans, changes in organizational and management structure, increased monitoring and inspections, changes in lead personnel and other important personnel, and replacement of DB Subcontractors or suppliers.

The Borrower and the Design-Builder will use Reasonable Efforts to prepare and submit such Remedial Plan to the Port Authority in accordance with the provisions of the Lease Agreement. The Borrower will not have any separate right to approve any Remedial Plan under the Design-Build Contract. Further, if the Port Authority notifies the Borrower that the Remedial Plan is not acceptable, the Borrower will promptly provide such notice to the Design-Builder, and the Port Authority, the Borrower, and the Design-Builder will meet no later than within the five (5) days following the Port Authority's notification to the Borrower in order to agree any necessary modifications to the plan proposed. If the Port Authority, the Borrower, and the Design-Builder fail to agree by the end of such five (5)-day period, a Design-Builder Event of Default will be deemed to exist under the Design-Build Contract entitling the Borrower to immediate exercise of its remedial rights under the Design-Build Contract. If the Port Authority notifies the Borrower that the Remedial Plan is acceptable, the Design-Builder will implement such Remedial Plan diligently and in accordance with its terms (and the otherwise applicable cure periods and extension limits will be extended in accordance with such approved Remedial Plan) and the Borrower will refrain from exercising its rights and remedies with respect to such Design-Builder Event of Default for so long as the Design-Builder is diligently implementing such Remedial Plan. Any failure of the Design-Builder to comply diligently with such approved Remedial Plan will be deemed to be a Design-Builder Event of Default and the Borrower will have to right to terminate the Design-Build Contract pursuant to the provisions thereof without any entitlement of the Design-Builder to a cure period for such Design-Builder Event of Default or to the proposal of another Remedial Plan.

### ***Remedies of the Borrower Upon Design-Builder Event of Default***

Upon the occurrence and during the continuance of a Design-Builder Event of Default, the Borrower may, by notice to the Design-Builder and the D&C Guarantors, declare that a Design-Builder Event of Default has occurred and thereupon may do any or all of the following as the Borrower, in its sole discretion will determine:

(i) If a Design-Builder Event of Default occurs and is continuing, the Borrower may, by written notice to the Design-Builder and the D&C Guarantors, terminate the Design-Build Contract subject to the terms and conditions set forth herein. If such termination occurs prior to the Final Acceptance Date, the Borrower may cause the DB D&C Work to be completed by other contractors and, as the Borrower's sole remedy with respect to such Design-Builder Event of Default, (A) the Design-Builder will be required to pay for the Borrower's excess procurement costs and for any other direct losses suffered by the Borrower in connection with termination of the Design-Build Contract and entering into replacement construction arrangements and (B) if the Port Authority terminates the Lease Agreement as a result of a breach by the Design-Builder of its obligations under the Design-Build Contract that was not caused by the Borrower's failure to perform its obligations under the Design-Build Contract, the Design-Builder will be required to compensate the Borrower for any losses incurred as a result of such termination, including any amounts (x) required to be paid to the Lenders as a result of an event of default occurring under the Financing Documents as a result of such termination and (y) incurred by the Borrower or its direct and indirect owners in connection with the Construction Project (subject to the limitations on liability set forth in the Design-Build Contract). In the event of a dispute with respect to the amount payable by the Design-Builder pursuant to the Design-Build Contract, such dispute will be subject to the accelerated DB Dispute Resolution Procedure set forth in the Design-Build Contract unless the Lease Agreement requires resolution of such dispute pursuant to its terms. Any such payment will be due within thirty (30) days.

(ii) If the Borrower does not elect to terminate the Design-Build Contract as a result of a Design-Builder Event of Default, the Borrower will have the right to pursue all remedies at law or in equity with respect to such Design-Builder Event of Default, *inter alia*, damages, losses, expenses, penalties and costs incurred or paid by the Borrower under the Lease Agreement or any other agreement and any other losses incurred by the Borrower (subject to the limitations on liability set forth in the Design-Build Contract).

(iii) Following a Potential Design-Builder Event of Default or a Design-Builder Event of Default, the Borrower will have the right to increase its monitoring of the Design-Builder's performance of the DB D&C Work, and the Design-Builder will cooperate with any related requests and requirements of the Borrower related thereto, including providing additional documentation as may be requested by the Borrower.

(iv) The Design-Builder will reimburse the Borrower for the documented third-party out-of-pocket costs of effecting any cure of a Design-Builder Event of Default; provided, however, that the Design-Builder will not be responsible for any such costs incurred during the applicable cure period afforded the Design-Builder for such default unless the Design-Builder has indicated in writing to the Borrower that the Design-Builder is unwilling or unable to prosecute such cure. The Borrower will be entitled to set-off such costs against amounts owed to the Design-Builder. If payments then or thereafter due to the Design-Builder are not sufficient to cover such amounts, the Design-Builder will be responsible for reimbursement of such difference to the Borrower.

(v) In the event of a termination of the Design-Build Contract by the Borrower pursuant to this section, no further Delay LDs will be required to be paid by the Design-Builder (other than those that remain unpaid at the time of such termination).

In addition to all other rights set forth in the Design-Build Contract, if the Borrower terminates the Design-Build Contract because of a Design-Builder Event of Default, the Design-Builder (at its own cost) will be obligated to (w) withdraw from the DB Work and Staging Area; (x) pay all amounts payable

by the Design-Builder as a result of such termination or otherwise due and payable by the Design-Builder under the Design-Build Contract; (y) transfer to the Borrower or its nominee all personal property, materials and documents that the Design-Builder would be required to deliver to the Borrower upon a termination of the Design-Build Contract as a result of a termination of the Lease Agreement and (z) to the extent not otherwise addressed in (y) above, transfer to the Borrower or its nominee such DB Subcontracts and purchase orders as the Borrower may request, all parts or equipment purchased for the Construction Project or to be permanently incorporated into the Construction Project and intellectual property and any other items agreed to by the Design-Builder and the Borrower (in each case, acting reasonably) or required to be transferred to the Port Authority under the Lease Agreement, provided that with respect to sub-clause (z) and so long as the Design-Builder has paid all amounts due and payable under sub-clause (x), the Design-Builder will not be required to transfer such parts or equipment unless it has been paid all amounts then due and payable by the Borrower for DB D&C Work performed under the Design-Build Contract. The Borrower will indemnify and hold harmless the Design-Builder from any third-party claim arising from the Borrower's misuse of any such intellectual property following termination of the Design-Build Contract.

In addition to the notifications required by the Design-Build Contract, the Borrower will promptly provide the Design-Builder with a copy of any notice received from (1) the Lenders with respect to any defaults or imminent defaults under the Financing Documents, (2) the Port Authority with respect to any defaults or imminent defaults under the Project Documents, or (3) the Port Authority with respect to any matter relating to the DB D&C Work or the Design-Builder.

The Design-Builder also will reimburse the Borrower for all reasonable costs incurred in relation to exercising the Borrower's right to perform any of the Design-Builder's obligations (as provided for in the Design-Build Contract or otherwise expressly contemplated in the Design-Build Contract) for defaults of the Design-Builder (including costs successfully claims by the Port Authority in the event of a Port Authority suspension or step-in pursuant to the Lease Agreement).

In the event that any remedial action or prevention plan is proposed by the Design-Builder, such remedial action or prevention plan will be subject to the approval by the Lenders and, if required by the Lease Agreement, the Port Authority, in each such case in such party's reasonable discretion (unless another measure of approval is provided for in any agreement granting such approval right to such party).

## **Developer DB Events of Default; Other Termination**

### ***Developer DB Events of Default***

The occurrence of any one or more of the following events or conditions during the term of the Design-Build Contract will constitute a Borrower event of default under the Design-Build Contract (each, a "Developer DB Event of Default"):

- (i) a default in the payment of any undisputed amount payable to the Design-Builder that is not cured within thirty (30) days after written notice thereof from the Design-Builder (a "Developer Payment Default");
- (ii) an Insolvency Event with respect to the Borrower;
- (iii) any written repudiation of the Design-Build Contract by an authorized representative of the Borrower; or

(iv) the Port Authority's termination of the Lease Agreement prior to the Final Acceptance Date due to any Event of Default under the Lease Agreement that was caused solely and directly by the Borrower.

While any Developer Payment Default exists, the Borrower will be required to pay interest on the applicable undisputed amounts from and after the due date of the applicable payment giving rise to such Developer Payment Default until the same has been cured or waived, at the Default Interest Rate.

***Suspension and Termination Rights of the Design-Builder; Design-Builder Termination Payment***

Subject and in addition to the rights set forth below in this section governing the Design-Builder's right to suspend the DB D&C Work in the event of a payment delinquency by the Port Authority and the limitations on the Borrower's payment obligations with respect to Port Authority Funding and Borrower Damages set forth above under "Contract Price – Limited Obligation of the Borrower With Respect to Port Authority Payment Obligations," and further subject to the Lenders' rights under the DB Lenders' Direct Agreement and the Port Authority's rights under any DB Direct Agreement, including the right to notice of default and the right to cure, and further subject to the provisions of the Design-Build Contract regarding certain limitations on the right of the Design-Builder to suspend its performance under the Design-Build Contract, the Design-Builder may suspend the DB D&C Work in the case of a Developer Payment Default; provided that a failure by the Port Authority to pay amounts owed by it under the Lease Agreement will in no event give rise to a Developer Payment Default, and provided further that:

(i) any such suspension will only be effective for a period commencing ten (10) days after the Borrower's receipt from the Design-Builder of written notice of such suspension and ending on the date that the Developer Payment Default is cured;

(ii) if the Developer Payment Default is not cured within twenty (20) days after such suspension begins, the Design-Builder will be entitled to demobilize; and

(iii) from the date of commencement of any such suspension until the earlier of the termination of the Design-Build Contract or the date that the Developer Payment Default is cured, the Borrower will be required to compensate the Design-Builder for the reasonable costs (limited to any direct costs, payments to DB Subcontractors and suppliers, demobilization and, if applicable, remobilization costs) and overhead and profit on the same that resulted from such suspension, and will grant the Design-Builder additional time for performance of the Design-Builder's contractual obligations reflecting the delay resulting from such suspension, subject to the Design-Build Contract and without duplication.

In addition to the Design-Builder's suspension right set forth in the Design-Build Contract, and subject to the provisions described below, the Design-Builder will be entitled to suspend its performance of the DB D&C Work if payment for such DB D&C Work or for Borrower Damages is delinquent from the Port Authority, so long as the Lease Agreement permits such suspension of performance pursuant to the terms of the Lease Agreement and, to the extent such non-payment by the Port Authority might entitle the Design-Builder to compensation or other relief pursuant to the Equivalent Project Relief protocol, the Borrower will use Reasonable Efforts to pursue such Equivalent Project Relief.

If a Developer DB Event of Default occurs and is continuing, the Design-Builder, by written notice to the Borrower, and subject to the provisions below, may terminate the Design-Build Contract subject to the terms and conditions set forth herein. Such termination will be subject to the rights of the

Lenders under the DB Lenders' Direct Agreement and the rights of the Port Authority, if any, under any DB Direct Agreement, including the right to notice of default and the right to cure.

If the right of the Borrower to terminate the Lease Agreement described in clauses (vi) or (viii) under "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Termination of the Lease Agreement – Grounds for Termination of the Borrower" has arisen under the Lease Agreement, neither the Port Authority nor the Borrower has given or received a notice to terminate the Lease Agreement and, as a result of the event that gave rise to the Borrower's right to so terminate, it is impossible or impractical for the Design-Builder legally to proceed with the DB D&C Work, then the Design-Builder may give an indicative notice to the Borrower of such circumstance (an "Indicative Termination Notice") and, after consulting with the Borrower in good faith regarding a solution acceptable to both the Borrower and the Design-Builder over a period of ninety (90) days after the date of such Indicative Termination Notice, may by notice to the Borrower terminate the Design-Build Contract, subject to the provisions of this section. From the date of an Indicative Termination Notice until the earlier of the termination of the Design-Build Contract or the Design-Builder's resumption of the DB D&C Work, the Borrower will be required to compensate the Design-Builder for the reasonable costs and time that resulted from the event giving rise to the Borrower's right to terminate the Lease Agreement (limited to any direct costs, payment to DB Subcontractors and suppliers, demobilization and, if applicable, re-mobilization costs); provided that (A) such costs are not covered by insurance and (B) the Design-Builder has used Reasonable Efforts to minimize such costs (including, if appropriate, by re-deploying the Design-Builder's and any DB Subcontractors' employees to other work or projects, returning or re-deploying equipment and laying off staff).

If a Developer Suspension of all or substantially all of the DB D&C Work continues for a period of six (6) months or more, then the Design-Builder, by written notice to the Borrower, and subject to the provisions of this section, may terminate the Design-Build Contract, in which event the Borrower will be required to pay the Design-Builder for its reasonable costs associated with the applicable Developer Suspension, as well as reasonable demobilization costs and breakage costs, including any reasonable DB Subcontractor and supplier compensation costs.

Notwithstanding anything in the Design-Build Contract to the contrary, the Design-Builder will only be entitled to compensation on termination of the Design-Build Contract upon the occurrence of the following:

(i) if the Lease Agreement is terminated, receipt by the Borrower of corresponding termination payments from the Port Authority, in which case the Design-Builder will be entitled to a portion of such payment from the Port Authority as and to the extent that such payment relates to termination of the Design-Build Contract and subject to the Equivalent Project Relief protocol;

(ii) a termination of the Design-Build Contract due to a Developer DB Event of Default or pursuant to the previous two paragraphs of this section in which case the Borrower will be required to pay the Design-Builder: (x) for all DB D&C Work completed through the date of termination (or, if an authorized suspension of the DB D&C Work occurred prior to such termination date, for the DB D&C Work completed by the Design-Builder prior to such date of suspension and, if authorized by the Borrower, following such suspension but prior to such termination date), in each case based on the schedule of values and only to the extent payment has not already been made, plus (y) reasonable demobilization and breakage costs, including any reasonable DB Subcontractor and supplier compensation costs.

Except in the case of a Developer Payment Default, the Design-Builder will not be entitled to terminate or suspend performance for any Developer DB Event of Default if such Developer DB Event of Default is being disputed in good faith under the DB Dispute Resolution Procedure set forth in the Design-Build Contract.

The Design-Builder's rights in respect of a Force Majeure Event, Change in Law or Applicable Standards Change will be limited to Equivalent Project Relief under the Design-Build Contract and the Design-Builder will not be entitled to terminate the Design-Build Contract, or to make any other adjustment to the Design-Builder's obligations under the Design-Build Contract, as a result of such event.

Notwithstanding anything in the Design-Build Contract to the contrary, the Design-Builder will have no right to (i) suspend its performance under the Design-Build Contract without first delivering to the Port Authority no less than ten (10) days' prior written notice specifying the Design-Builder's ground(s) therefor; provided, that if after the receipt of the Design-Builder's notice, the Port Authority notifies the Design-Builder of the Port Authority's intent to exercise its step-in rights with respect to the Design-Build Contract (subject to the rights of the Lenders pursuant to the DB Lenders' Direct Agreement), the Design-Builder will have no right to suspend its performance under the Design-Build Contract, or (ii) terminate the Design-Build Contract or demobilize without first delivering to the Port Authority no less than forty-five (45) days' prior written notice specifying the Design-Builder's ground(s) therefor; provided, that if after the receipt of the Design-Builder's notice, the Port Authority notifies the Design-Builder of the Port Authority's intent to exercise its step-in rights with respect to the Design-Build Contract (subject to the rights of the Lenders pursuant to the DB Lenders' Direct Agreement), the Design-Builder will have no right to terminate the Design-Build Contract.

For the avoidance of doubt, amounts payable by the Borrower to the Design-Builder as described above under "Port Authority Funding – Port Authority Funding for New Facilities and the Demolition Facilities" and/or "Contract Price – Limited Obligation of the Borrower With Respect to Port Authority Payment Obligations" that are not paid by the Developer as and when due pursuant to the Design-Build Contract may result in a Developer Payment Default, including for purposes of the circumstances described above under the first paragraph of this section.

### ***Other Termination***

Subject to the Lenders' rights under the DB Lenders' Direct Agreement and to the Port Authority's rights in the Lease Agreement (as described in the Design-Build Contract), the Design-Build Contract will terminate automatically if the Lease Agreement is terminated for whatever reason, including the Borrower's default thereunder without liability of the Borrower or the Port Authority for the Design-Builder's lost profits or business opportunity.

In the event of a termination of the Lease Agreement entitling the Borrower to compensation from the Port Authority, the Borrower will (i) notify the Design-Builder and work with the Design-Builder in preparing any applicable claim for termination compensation and (ii) to the extent practicable, provide the Design-Builder with an opportunity to participate in the discussion and resolution of any claim with the Port Authority. The Design-Builder's right to receive a portion of any termination compensation received from the Port Authority will be governed by the provisions described above under "Suspension and Termination Rights of the Design-Builder; Design-Builder Termination Payment."

### **Actions Upon Termination of the Lease Agreement**

Pursuant to the Lease Agreement, (1) if a termination notice is delivered prior to the Final Acceptance Date, subject to the Lenders' rights under any DB Lenders' Direct Agreement the Lenders or

the Collateral Agent may have with respect to the Design-Build Contract, the Port Authority will elect, by written notice to the Borrower and the Design-Builder delivered within ninety (90) days after the date on which such termination notice is delivered, to continue in effect the Design-Build Contract or to require its termination; (2) if the Port Authority does not deliver written notice of election within such ninety (90)-day period, the Port Authority will be deemed to elect to require termination of the Design-Build Contract and (3) if the Port Authority elects to continue the Design-Build Contract in effect in accordance with the Lease Agreement, then promptly upon notice thereof from the Port Authority, the Borrower will execute and deliver to the Port Authority a written assignment, in form and substance acceptable to the Port Authority, of all the Borrower's right, title and interest in and to the Design-Build Contract, and the Port Authority will assume in writing the Borrower's obligations hereunder that arise from and after the early termination date. If the Port Authority elects (or is deemed to elect) to require termination of the Design-Build Contract pursuant to the Lease Agreement, then:

(i) the Borrower will take such steps as are necessary to terminate the Design-Build Contract, including notifying the Design-Builder that the Design-Build Contract is being terminated and that the Design-Builder is to immediately stop work and stop and cancel orders for materials, services or facilities unless otherwise authorized in writing by the Port Authority, and the Design-Builder agrees to comply with such instructions;

(ii) the Design-Builder will immediately and safely demobilize and secure construction, staging, lay down and storage areas for the Construction Project and utility relocations included in the DB Construction Work in a manner satisfactory to the Borrower, and remove all debris and waste materials except as otherwise approved by the Borrower in writing;

(iii) the Design-Builder will take such other actions as are necessary or appropriate to mitigate further cost;

(iv) the Design-Builder will, subject to the prior written approval of the Port Authority, settle all outstanding liabilities and all claims arising out of the Design-Build Contract;

(v) the Design-Builder will execute and deliver to the Port Authority a written assignment, in form and substance acceptable to the Port Authority, of all the Design-Builder's right, title and interest in and to (A) all third-party agreements and permits; provided that the Port Authority assumes in writing all of the Design-Builder's obligations thereunder that arise after the early termination date and (B) all assignable warranties and claims held by the Design-Builder against other contractors and other third-parties in connection with the Construction Project or the D&C Work; and

(vi) the Design-Builder will carry out such other directions as the Port Authority may give for suspension or termination of the DB D&C Work performed under the Design-Build Contract.

#### ***Lease Agreement Termination Transition Plan***

Pursuant to the Lease Agreement, (1) within three (3) days after receipt by the Borrower or the Port Authority, as applicable, of a termination notice, the Borrower and the Port Authority are required to meet and confer with each other for the purpose of developing an interim transition plan for the orderly transition of Work, demobilization and transfer of control of the premises to the Port Authority; and (2) the Borrower and the Port Authority are required to use diligent efforts to complete preparation of the interim termination transition plan within fifteen (15) days after the date the Borrower or the Port Authority, as applicable, receives the termination notice. The Borrower will notify the Design-Builder



promptly in the event that the Borrower submits or receives a termination notice prior to the Final Completion Date, in which event the Design-Builder will, if requested by the Borrower or the Port Authority, use diligent efforts to assist in the preparation of the interim termination transition plan to the extent applicable to the DB D&C Work.

Pursuant to the Lease Agreement, (1) the Borrower and the Port Authority are required to use diligent efforts to complete a final termination transition plan within thirty (30) days after receipt by the Borrower or the Port Authority, as applicable, of a termination notice; and (2) the final termination transition plan must be in form and substance acceptable to the Port Authority and must include and be consistent with the other provisions and procedures set forth in the Lease Agreement, all of which procedures the Borrower must promptly follow, regardless of any delay in preparation or acceptance of the interim or final transition plan. The Design-Builder will, if requested by the Borrower or the Port Authority, use diligent efforts to assist in completion of the aspects of the termination transition plan related to the DB D&C Work within such thirty (30) day period. Further, the Design-Builder will promptly follow, regardless of any delay in preparation or acceptance of the interim or final transition plan, the provisions and procedures set forth in this section.

The Design-Build Contract contains the entire and exclusive provisions and rights of the Borrower and the Design-Builder regarding termination of the Design-Build Contract, and any and all other rights to terminate under Applicable Law are waived to the maximum extent permitted by Applicable Law.

#### **Actions Upon Termination of the Design-Build Contract**

In circumstances where a termination of the Design-Build Contract occurs or will occur without a corresponding termination of the Lease Agreement, the terms in this section will apply. If a notice of termination of the Design-Build Contract is delivered pursuant to the Design-Build Contract but the Lease Agreement has not been terminated, then the Design-Builder will:

- (i) take such steps as are necessary to terminate all DB Subcontracts (except for those the Borrower requests not to be terminated by the Design-Builder), including notifying each DB Subcontractor, as applicable, that the Design-Build Contract and each applicable DB Subcontract is being terminated and that the applicable DB Subcontractor is to immediately stop work and stop and cancel orders for materials, services or facilities unless otherwise authorized in writing by the Borrower;
- (ii) immediately and safely demobilize and secure construction, staging, lay down and storage areas for the Construction Project and utility relocations included in the DB Construction Work in a manner satisfactory to the Borrower, and remove all debris and waste materials except as otherwise approved by the Borrower in writing;
- (iii) take such other actions as are necessary or appropriate to mitigate further cost;
- (iv) subject to the prior written approval of the Borrower (and, if required, the Port Authority), settle all outstanding liabilities and all claims arising out of the Design-Build Contract for which the Design-Builder is responsible; provided, however, that any settlement will not include any claim the Design-Builder may have against the Borrower for wrongful termination of the Design-Build Contract;
- (v) execute and deliver to the Borrower a written assignment, in form and substance acceptable to the Borrower, of all the Design-Builder's right, title and interest in and to (A) all

third-party agreements (including any DB subcontracts the Borrower has requested not to be terminated by the Design-Builder) and permits; provided that the Borrower assumes in writing all of the Design-Builder's obligations thereunder that arise after the termination of the Design-Build Contract and (B) all assignable warranties provided by and claims against other DB Subcontractors and other third parties in connection with the Construction Project or the DB D&C Work; provided, in each case, that any such assignment is not intended to waive or relinquish any of the Design-Builder's claims against such third parties where such claims relate to an obligation arising prior to the date of the assignment and where the Design-Builder has discharged the corresponding obligation under the Design-Build Contract; and

(vi) carry out such other directions as the Borrower may give for suspension or termination of the DB D&C Work performed under the Design-Build Contract.

In the event of a termination of the Design-Build Contract, the Design-Builder will, to the extent required by the Design-Build Contract, comply with directions of the Port Authority and/or the Lenders pursuant to the DB Lenders Direct Agreement; provided, however, that the Design-Builder will continue to have the right and entitlement to pursue all remedies against the Borrower as set forth in the Design-Build Contract.

#### ***DB Termination Transition Plan***

Within three (3) days after receipt by the Design-Builder of a notice of termination of the Design-Build Contract, the parties will meet and confer with each other for the purpose of developing an interim transition plan for the orderly transition of DB D&C Work, demobilization and transfer of control of the DB Work and Staging Area to the Borrower.

The parties will use diligent efforts to complete a final DB termination transition plan within thirty (30) days after receipt by the Design-Builder of a notice of termination of the Design-Build Contract. The final DB termination transition plan will be in form and substance acceptable to the Borrower and will include and be consistent with the other provisions and procedures set forth in this section, all of which procedures the Design-Builder will promptly follow, regardless of any delay in preparation or acceptance of the interim or final transition plan. The final DB termination transition plan will include an estimate of costs and expenses to be incurred by both parties in connection with implementation of the DB termination transition plan.

The Design-Build Contract contains the entire and exclusive provisions and rights of the Borrower and the Design-Builder regarding termination of the Design-Build Contract where the Lease Agreement has not been terminated, and any and all other rights to terminate (where the Lease Agreement has not been terminated) under Applicable Law are waived to the maximum extent permitted by Applicable Law.

### **Construction Security**

#### ***D&C Guarantees***

The Design-Builder will provide to the Borrower a D&C Guarantee from each D&C Guarantor (i.e., Skanska AB and The Walsh Group, Ltd.), in each case in form and substance sufficient to meet the requirements for a D&C Guarantee under the Lease Agreement and substantially in the form set forth in the Design-Build Contract. The rights and benefits of the Borrower with respect to each D&C Guarantee will be concurrently assigned to the Collateral Agent.

### ***D&C Letter of Credit***

The Design-Builder also will deliver to the Borrower several irrevocable standby letters of credit issued by Eligible LC Issuers satisfactory to the Borrower, in favor of the Collateral Agent, in each case in form and substance sufficient to qualify such letter of credit as a D&C Letter of Credit pursuant to the Lease Agreement and substantially in the form set forth in the Design-Build Contract, securing the payment and performance of the obligations of the Design-Builder under the Design-Build Contract in an aggregate amount equal to 6.5% of the initial Contract Price until Partial Completion of the first, second and third New Facilities Construction Milestones and, thereafter, in an aggregate amount equal to 3.5% of the initial Contract Price, in each case as such percentage requirement may be further adjusted by mutual agreement of the parties and consistent with the requirements of the Lease Agreement with respect thereof. Such D&C Letters of Credit (or extension or replacements thereof) are required to remain in effect until the later of the calendar date stated therein to be the final expiration date thereof or the Final Acceptance Date (it being acknowledged and agreed that, if the stated final expiration date of any such D&C Letter of Credit is prior to the Final Acceptance Date, the Design-Builder shall either amend the existing letter of credit to extend the final expiration date to a date not before the then-anticipated Final Acceptance Date, or deliver replacement D&C Letters of Credit having a final expiration date not before the then-anticipated Final Acceptance Date). For so long as the Design-Builder is obligated to maintain the D&C Letters of Credit, not later than sixty (60) days prior to the stated expiration date of any such letters of credit, the Design-Builder will renew, or cause the renewal of, each outstanding letter of credit, or replace, or cause the replacement of, each such letter of credit with one or more replacement letters of credit meeting the same requirements set forth in this paragraph. In addition, for so long as the Design-Builder is obligated to maintain the D&C Letters of Credit, in the event the issuer of any such D&C Letter of Credit fails to meet the requirements of an Eligible LC Issuer, within five (5) business days thereafter the Design-Builder will provide a substitute D&C Letter of Credit from a different Eligible LC Issuer. If the Collateral Agent does not receive a replacement letter of credit from an Eligible LC Issuer within the time specified, the Collateral Agent is permitted to draw on the full available amount of the applicable letter of credit.

### **Indemnification**

#### ***Indemnification Pursuant to the Lease Agreement***

The Design-Builder will indemnify and hold harmless the Borrower for any liability for losses that the Borrower incurs to any Port Authority Indemnified Party pursuant to the Lease Agreement to the extent resulting from any acts or omissions of the Design-Builder or any other DB Party.

The Design-Builder and the Borrower acknowledge that the Port Authority Indemnified Parties will be indemnitees, with direct right of enforcement, in each indemnity given by the Design-Builder under the Design-Build Contract. Notwithstanding anything to the contrary in the Design-Build Contract, any such indemnification of any Port Authority Indemnified Party will be in accordance with the indemnification provisions of the Lease Agreement, including the provisions of thereof with respect to defense of Third-Party Claims.

The Borrower will indemnify and hold harmless the Design-Builder for any liability for losses that the Design-Builder incurs to any Port Authority Indemnified Party pursuant to paragraph above to the extent resulting from any acts or omissions of the Borrower or any of its contractors (excluding the Design-Builder and any DB Subcontractor).

***Additional Indemnification by the Design-Builder***

In addition to the indemnification set forth in “Indemnification Pursuant to the Lease Agreement” above, the Design-Builder will indemnify, defend and hold harmless the Borrower for any losses suffered or costs incurred by the Borrower (including as a result of claims against the Borrower by third parties) to the extent caused by:

(i) any third-party claims for bodily injury or death or property damage (including any claims for economic losses related thereto) arising out of (1) the Design-Builder’s negligent performance of the Design-Build Contract or (2) any breach of the Design-Build Contract by any DB Party or any breach thereof by the Borrower directly caused by the acts or omissions of any DB Party;

(ii) any third-party claims for bodily injury or death or property damage (including economic damages attributable to said bodily injuries or property damages) arising out of (1) the Design-Builder’s negligent performance of the Design-Build contract, or (2) any breach thereof by Design-Builder directly caused by the acts or omissions of any DB Party;

(iii) gross negligence, willful misconduct or actual fraud of any DB Party, including the directors, officers, employees or agents of any DB Party;

(iv) patent or copyright infringement or similar misuse (actual or alleged) by the Design-Builder of any protected information relating to the Construction Project or the DB D&C Work;

(v) any third-party claims brought against the Borrower to the extent caused by (w) Hazardous Materials brought by any DB Party onto the Premises, (x) failure of any DB Party to comply with any requirement of the Design-Build Contract imposed on the Design-Builder and relating to Hazardous Materials or applicable Environmental Laws and governmental approvals, (y) any Hazardous Materials release caused by any DB Party or (z) any spreading, migration, exposure or toxicity of Hazardous Materials due to the negligence, recklessness, or willful misconduct of any DB Party; or

(vi) payments to any person with respect to taxes relating to or imposed on the Design-Builder, including the Design-Builder’s income;

(each a “Design-Builder Act”).

***Indemnification by the Borrower***

In addition to the indemnification set forth in the third paragraph of “Indemnification Pursuant to the Lease Agreement” above, the Borrower will indemnify, defend and hold harmless the Design-Builder for any losses suffered or costs incurred by the Design-Builder (including as a result of claims against the Design-Builder by third parties) to the extent caused by:

(i) any third-party claims for bodily injury or death or property damage (including any claims for economic losses related thereto) arising out of (1) the Borrower’s negligent performance of the Design-Build Contract or (2) any Developer Act described in clause (1) or (2) of such definition;

(ii) any Developer Act described in clause (3) of such definition; or

(iii) any third-party claims brought against the Design-Builder to the extent caused by (w) Hazardous Materials brought onto the Premises by the Borrower or any contractor (other than the Design-Builder and its contractors) retained by the Borrower to perform any obligation of the Borrower with respect to the D&C Work or the Operations and Maintenance Work or by any sublessee or Scheduled Aircraft Operator (but specifically excluding, in all cases, any act or omission of the Port Authority) (each such party, including the Borrower, being referred to in this subsection (c) as a “Covered Party”), (x) failure of the Borrower to comply with any requirement of the Design-Build Contract imposed on the Borrower and relating to Hazardous Materials or applicable Environmental Laws and governmental approvals, (y) any Hazardous Materials release caused by any Covered Party or (z) any spreading, migration, exposure or toxicity of Hazardous Materials due to the negligence, recklessness, or willful misconduct of any Covered Party.

### ***Port Authority Indemnification***

In the event that the Borrower is entitled to be indemnified by the Port Authority pursuant to the Lease Agreement for an act, event or circumstance that relates to the DB D&C Work, or the Design-Builder submits a claim against the Borrower for which the Borrower is entitled to indemnification from the Port Authority under the Lease Agreement, the Borrower will work with the Design-Builder in preparing any such claim for indemnification and, to the extent practicable, provide the Design-Builder with an opportunity to participate in the discussion and resolution of such claim with the Port Authority. Upon receipt by the Borrower of indemnification payments from the Port Authority in relation to the DB D&C Work or a claim submitted by the Design-Builder for which the Borrower is entitled to indemnification from the Port Authority under the Lease Agreement, the Design-Builder shall be entitled to such payments as and to the extent that they relate to the DB D&C Work or the Design-Builder’s claim.

### **Insurance**

The Borrower will procure and maintain the Developer-Provided Insurance. The Developer-Provided Insurance will be provided with the endorsements and exclusions as outlined in the Design-Build Contract. The Design-Builder will procure and maintain the Design-Builder-Provided Insurance.

### ***Responsibility for Insurance Premiums and Deductibles***

The Borrower will be responsible for payment of all premiums for the Developer-Provided Insurance, including any associated broker fees or commissions; provided, that the Borrower will be entitled to collect from the Design-Builder the costs associated with any increase in premiums (including those resulting from increased insurance requirements or required extensions of insurance coverage under the insurance provisions of the Design-Build Contract, the Lease Agreement or the PNTP Agreement) of the Developer-Provided Insurance that occur between the issuance of the Series 2016 Bonds and Design-Builder’s completion of the DB D&C Work, and which do not result from (1) any general changes in insurance markets, (2) a Port Authority change or Compensation Event where such increased premiums are paid for by the Port Authority, (3) a Lessee Change, (4) a Developer Change, (5) a Developer Suspension or (6) a Developer Act. The Design-Builder will not be entitled to an adjustment of the Contract Price for any increased premium costs for which it is responsible under the Design-Build Contract. With the assistance of the Design-Builder, the Borrower will pursue the prompt recovery of any proceeds under the Developer-Provided Insurance relating to the DB D&C Work, notwithstanding that the Design-Builder may be co-insured.

The Design-Builder will be responsible for payment of any premium for the Design-Builder-Provided Insurance. The Design-Builder will also be responsible for payment of:

(i) any deductible associated with claims under the Developer-Provided Insurance for which the Design-Builder has deductible responsibility as set forth in the Design-Build Contract unless solely caused by a Developer Act,

(ii) any deductible associated with claims under the Developer-Provided Insurance for which the Borrower has deductible responsibility as set forth in the Design-Build Contract if such claims are solely caused by any DB Party,

(iii) any deductible associated with claims under Design-Builder-Provided Insurance; provided, that the Borrower will reimburse the Design-Builder for any deductibles associated with claims under the Design-Builder-Provided Insurances which arise solely as a result of a Developer Act,

(iv) any broker fee associated with the Design-Builder-Provided Insurance,

(v) any administration fee or claims handling fee associated with any of the Developer-Provided Insurances (but only to the extent caused by a DB Party's negligent acts or omissions or willful misconduct) and Design-Builder-Provided Insurances, and

(vi) its pro rata share of any auto liability insurance procured by the Borrower on behalf of the Design-Builder.

The Design-Builder will ensure that each DB Subcontractor (i) procures and maintains any insurance coverage required of such DB Subcontractor by the Design-Build Contract, (ii) pays any premium associated with such insurance, and (iii) pays any deductible associated with any such insurance, in each case as may be due with respect to an insurance policy to be procured and maintained by such DB Subcontractor in accordance the Design-Build Contract.

#### ***DB Subcontractor Insurance Requirements***

The Design-Builder will cause each DB Subcontractor to obtain (prior to commencing any DB D&C Work) and maintain all insurance that a reasonable and commercially prudent contractor in North America performing work similar to that to be performed by the DB Subcontractor would maintain, to the extent that such DB Subcontractor is not covered by the Developer-Provided Insurance or the Design-Builder-Provided Insurance, as applicable; provided, that, in any event, with respect to the Construction Work, the Design-Builder will cause the DB Subcontractor to obtain and maintain all applicable insurance that may be required from time to time pursuant to the TCAP. The Design-Builder will cause each such DB Subcontractor to include the additional insureds specified in the applicable insurance policies as required under the Design-Build Contract and the Lease Agreement. If requested by the Borrower (on its own behalf or on behalf of the Port Authority), the Design-Builder will promptly provide certificates of insurance evidencing coverage for each DB Subcontractor.

#### ***Project-Specific Insurance***

Except for the PNTP Work, the DB Subcontractors' auto insurance, and the Design-Builder's and DB Subcontractors' insurance for their tools and equipment, and except as expressly provided otherwise under the Design-Build Contract, all the Design-Builder-Provided Insurance will be required to be purchased specifically and exclusively for the Construction Project and extend to all aspects of the DB D&C Work, with coverage limits devoted solely to the Construction Project. Insurance coverages with dedicated limits and identified premiums specific to the Construction Project are acceptable; provided, that they otherwise meet all requirements described in the Design-Build Contract.

### ***Settlement of Losses***

The proceeds from any property insurance policy (except any business interruption insurance) or any business interruption insurance maintained hereunder will be utilized in accordance with the terms of the Lease Agreement and the Financing Documents; provided, that any business interruption insurance proceeds actually recovered by the Borrower will offset any Delay LDs otherwise payable by the Design-Builder to the Borrower or, if such Delay LDs have been paid in advance by the Design-Builder to the Borrower, will be used to reimburse the Design-Builder for such advance payment of Delay LDs in an amount equal to the business interruption insurance proceeds actually recovered by the Borrower.

### **Equal Opportunity - Employment Matters**

The Design-Builder will not discriminate against employees or applicants for employment, including recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeship and on-the-job training, because of race, religious creed, color, national origin, sex, age, ancestry, physical disability, mental disability, medical condition, marital status or sexual orientation. In addition to and without limiting the foregoing, and without limiting any other provisions of the Design-Build Contract related to non-discrimination and employment, affirmative action and equal employment opportunities, the Design-Builder in connection with the DB D&C Work, or any portion thereof, will throughout the term of the Design-Build Contract commit itself to and use good faith efforts to implement an extensive program of affirmative action, including specific affirmative action steps to be taken by the Design-Builder (and will require each DB Subcontractor to commit itself to and use good faith efforts to implement) an extensive program to ensure maximum opportunities for Minority Business Enterprises (“MBE”) and Women-owned Business Enterprises (“WBE”) in accordance with the Design-Build Contract.

Throughout the term of the Design-Build Contract, the Design-Builder in connection with any DB D&C Work on the premises, or any portion thereof, will commit itself to and use good faith efforts to implement (and will require each DB Subcontractor to commit itself to and use good faith efforts to implement) a program to maximize the use of local business enterprises in accordance with the Design-Build Contract.

### **Dispute Resolution**

#### ***Dispute Resolution Procedures; Port Authority Related Proceedings***

Any dispute that is subject to the dispute resolution procedures set forth in the Lease Agreement will be resolved in accordance with the Lease Agreement, including but not limited to the provisions of the Lease Agreement governing disputes involving technical or engineering matters that are subject to resolution by the Chief Engineer, provisions of the Lease Agreement involving a dispute or disagreement regarding Other Redevelopments, and provisions of the Lease Agreement providing the right of joinder for certain disputes under the Design-Build Contract. The dispute resolution provisions of the Lease Agreement are incorporated into the Design-Build Contract, and the parties will be bound by the resolution of any proceedings under the Lease Agreement with respect to any such dispute in accordance with the terms of the Lease Agreement. Unless provided to the contrary under the Lease Agreement or the Design-Build Contract, the parties will be required to continue to perform their respective obligations under the Design-Build Contract pending the final resolution of any dispute.

### ***DB Dispute Resolution Procedure***

In the event of a dispute between the Design-Builder and the Borrower arising from or in connection with the Design-Build Contract that is not subject to the dispute resolution procedures described in “Dispute Resolution Procedures; Port Authority Related Proceedings” above, such dispute will be subject to the dispute resolution process set forth in the Design-Build Contract (the “DB Dispute Resolution Procedure”). For the avoidance of doubt, the DB Dispute Resolution Procedure will apply only to disputes directly between the Design-Builder and the Borrower and, if at any time during the pendency of such dispute, the dispute becomes subject to the dispute resolution procedures described in “Dispute Resolution Procedures; Port Authority Related Proceedings” above, , the DB Dispute Resolution Procedure will cease to apply and such dispute will be governed by the dispute resolution procedures of the Lease Agreement.

The Design-Builder and the Borrower will first attempt to resolve any disputes through discussions between representatives of each party (the “Design-Builder’s Representative” and the “Developer’s Representative,” respectively), which discussions will conclude within five (5) days of the written request to meet unless the Design-Builder and the Borrower mutually agree otherwise. If a dispute cannot be resolved through the Design-Builder’s Representative and the Developer’s Representative, then, upon the request of either party, senior representatives from each party, each with the necessary authority within their own organizations to fully resolve the dispute on behalf of their respective organizations, will meet as soon as possible, but in no case later than seven (7) days after such a request is made, to attempt to resolve such dispute. Three (3) days prior to any meetings between the senior representatives, the parties will exchange relevant information that will assist the parties in resolving their dispute. Engagement in the DB Dispute Resolution Procedure is a condition precedent to a party’s right to refer a dispute to the Dispute Board pursuant to the terms of the Design-Build Contract or to commence litigation pursuant to the terms of the Design-Build Contract.

The parties agree to establish a Dispute Board consisting of the three Dispute Board Members in accordance with the requirements of the Design-Build Contract. If, after meeting, the senior representatives determine that the dispute cannot be resolved on terms satisfactory to both parties, the dispute will be referred to the Dispute Board. Engagement in the Dispute Board procedure is a condition precedent to a party’s right to commence litigation pursuant to the Design-Build Contract, except that engagement in mediation procedures set out in Dispute Board Rules which require mutual consent of the parties is not a condition precedent and will not in any way impede a party’s right to commence litigation pursuant to the Design-Build Contract.

If any dispute is not referred to, or resolved by, the Dispute Board for reasons set forth in the Design-Build Contract, the dispute will be finally decided by litigation in any New York State court or the U.S. District Court for the Southern District of New York sitting in the City and County of New York, and any appellate court from any thereof, unless the parties mutually agree otherwise. Nothing within the Design-Build Contract will prejudice the right of a party to commence litigation when necessary to preserve legal and statutory rights (including to prevent the running of any statute of limitations) or to commence litigation seeking urgent relief when necessary to prevent imminent irreparable harm in respect of a dispute arising under or in connection with the Design-Build Contract.

### **Consequential Losses; Limitations on Liability**

Neither party will be liable to the other for any indirect or consequential losses suffered or incurred by such party; provided that:



(i) the Design-Builder will be liable under the Design-Build Contract for the Delay LDs (subject to the limit on such Delay LDs in this section);

(ii) for the purposes of the Design-Build Contract, the following will be deemed to be excluded from indirect or consequential losses:

(A) all damages, losses and costs arising from the compensation of Lenders or third-party costs arising from a termination of the Design-Build Contract to the extent attributable to a Design-Builder Event of Default;

(B) any reductions in payments to be made by the Port Authority to the Borrower under the Lease, to the extent caused by the Design-Builder;

(C) all damages, losses and costs arising from any third party claim in respect of which the Design-Builder or the Borrower indemnifies the other party under the Design-Build Contract; and

(D) all damages, losses and costs to the extent covered by insurance proceeds recovered from an insurance provider pursuant to insurance maintained by the relevant party in accordance with the insurance requirements set forth in the Design-Build Contract or which could have been recovered through insurance which the relevant party was required to maintain in accordance with such insurance requirements but failed to maintain.

The aggregate liability of the Design-Builder to the Borrower in respect of Delay LDs will be limited to eight percent (8%) of the Contract Price. Any amount recovered by the Design-Builder in respect of Delay LDs pursuant to Equivalent Project Relief will not constitute a liability of the Design-Builder for purposes of this limitation.

Except as otherwise explicitly provided in the Design-Build Contract, the maximum aggregate liability of the Design-Builder to the Borrower:

(i) for default under, breach or termination of the Design-Build Contract (or negligence or breach causing termination of any DB Project Document); and

(ii) in tort (including negligence and strict liability), for breach of a statutory duty or for any other cause of action in connection with the Design-Build Contract or related to the Construction Project, the DB Project Document or the DB D&C Work, (inclusive of the aggregate liability of the Design-Builder to the Borrower in respect of Delay LDs described above), will be limited to an amount equal to forty percent (40%) of the sum of the Contract Price until Partial Completion of the first, second and third New Facilities Construction Milestones and, thereafter, will be limited to an amount equal to thirty percent (30%) of the sum of the Contract Price.

The limitations on the aggregate liability of the Design-Builder to the Borrower in respect of Delay LDs and the maximum aggregate liability of the Design-Builder to the Borrower, each as described above, will not apply to:

(i) insurance coverages maintained by the Design-Builder in accordance with the insurance requirements set forth in the Design-Build Contract or which could have been

recovered through insurance which the Design-Builder was required to maintain in accordance with such insurance requirements but the Design-Builder failed to maintain;

(ii) liabilities of the Design-Builder that arise out of any third-party claims against the Design-Builder, including, without limitation, any such claims by any Patrons of the Airport or for damage or destruction of property or death or personal injury;

(iii) liabilities that arise out of (A) abandonment of the DB Work and Staging Area or the DB D&C Work by the Design-Builder that results in a Design-Builder Event of Default under the Design-Build Contract or (B) gross negligence, willful misconduct or actual fraud of the Design-Builder or any DB Party;

(iv) liabilities of the Design-Builder to the Borrower as a result of the Design-Builder's obligations with respect to indemnification pursuant to the Design-Build Contract;

(v) any cost overruns (which, for the avoidance of doubt, do not include any Delay LDs or other amounts the Design-Builder is required to pay the Borrower pursuant to the Design-Build Contract) incurred by the Design-Builder in carrying out the DB D&C Work;

(vi) any costs paid or incurred in connection with the correction of Nonconforming Work or to correct a DB Work Defect; and

(vii) any amounts paid or owed by the Design-Builder in order to satisfy its obligation to deliver title, materials, equipment or systems permanently incorporated in the DB D&C Work free and clear of all liens, claims and encumbrances arising in connection with the DB D&C Work for certain costs, as set forth in the Design-Build Contract.

Notwithstanding any other provisions of the Design-Build Contract to the contrary, neither party will be entitled to recover compensation or make a claim under the Design-Build Contract in respect of any loss that it has incurred to the extent that it has already been compensated in respect of that loss pursuant to the Design-Build Contract or otherwise.

***Remedies to be Non-Exclusive***

Except as otherwise expressly provided in the Design-Build Contract, all remedies provided in the Design-Build Contract will be deemed cumulative and additional and not in lieu of or exclusive of each other or of any other remedy available to the Borrower or to the Design-Builder at law or in equity, and the exercise of any remedy, or the existence herein of other remedies or indemnities will not prevent the exercise of any other remedy.

## **Appendix G**

### **SUMMARY OF CERTAIN PROVISIONS OF THE MANAGEMENT SERVICES AGREEMENT**

#### **Term**

The term of the Management Services Agreement (the “MSA”) begins with the commencement of the Lease Agreement and will end on December 30, 2050, unless extended automatically pursuant to an extension in the term of the Lease Agreement (as provided in the Lease Agreement).

#### **Services**

The Manager shall provide the day-to-day management of Lessee’s business and operations, including but not limited to management of:

Evaluation of Lessee’s performance, and recommendation of best practices to enhance performance through training, technologies, operation manuals, licenses and requests for proposal documents.

Preparation of annual business plans and capital expenditure budgets, conduct of audits of Lessee operations, design of financial controls, collection and reporting of statistical information, development aviation rates, preparation of procurement policies, design airport of risk management policies, conduct of market research and preparation of marketing policies, assistance with branding, development and implementation of commercial policies that optimize space, revenue and retail mix, management of ground transportation, and development of emergency response plans.

Facilitation of the design, development and construction of the Construction Project by coordinating the preparation of construction documents, securing of permits and completion of inspections, assisting with the conduct of design review with the Port Authority, assisting with the performance of contract administration, monitoring of construction progress, review and comment on submittals and shop drawings, assisting with review and response to requests for information, administration of change-orders, overseeing third party consultants, and overseeing tenant design and construction.

Coordination of the transition of new facilities as they come online; provision of operational readiness services; establishment of engineering and maintenance operations; establishment of operational policies and procedures for the operations center, operations manuals and facility services; establishment of commercial policies for tenants and licensees; development of public relations outreach strategies; implementation of finance policies and systems to govern pricing, billing and budgets; development of human resource services; and implementation of information technology services.

#### **Standard of Performance**

The Manager will exercise the degree of skill, diligence, prudence and foresight that would typically be expected from a skilled and experienced airport maintenance contractor, airport terminal operator or airport management services provider engaged to perform services similar to those under the MSA, in order to comply with its contractual obligations, all applicable laws and governmental approvals.

## **Management and Coordination of Design and Construction Work**

The Manager will oversee the D&C Work and assist Lessee in the performance and administration of the D&C Contract to ensure that the D&C Work is performed on time, within budget, and does not impair the operation of terminal facilities.

## **Changes to Services; Additional Services**

Lessee and the Manager will review the scope of services under the MSA no less frequently than every three years, and change the scope of services as necessary to reflect the current and future needs of airport operations.

If Lessee desires for the Manager to provide additional services outside the scope of services required under the MSA, Lessee will invite the Manager to submit a proposal identifying the estimated cost and staffing requirements for such additional services. The Manager will have 30 days to provide the proposal, which will be subject to acceptance or rejection by Lessee. If the Manager fails to provide a proposal, or has its proposal rejected, Lessee may solicit proposals from third parties. If Lessee is prepared to accept a third party's proposal and Manager previously had its proposal rejected, the Manager has the right to match the terms and conditions of the third party's proposal.

## **Staffing and Appointment of Personnel**

The Manager will provide nominees for approval by Lessee to fill the following positions: chief executive officer/Lessee's Project Director (the "CEO"); chief commercial officer/concessions manager; chief operating officer/terminal manager; and Project Manager. MI LaGuardia CTB, LLC and Skanska ID LGP, LLC will nominate individuals to serve as Lessee's chief financial officer (the "CFO") and chief technical officer ("CTO"), respectively, who will be employees of Lessee, and the Manager will designate the Project Executive. The Project Executive will be accountable to, the Lessee's Board of Directors. Lessee has the right to hire and terminate the CEO upon 30 days' notice to the Manager, and the Manager has the right to hire and terminate the CFO and CTO. Any dispute between the parties arising from the hiring or termination of executives will be resolved by the dispute resolution mechanism described below.

The Manager will also have the ability from time to time to propose additional personnel to assist Lessee. The parties anticipate that the Manager's personnel staffing the Project will be between 10 and 15 individuals during the Initial O&M Period and the Construction Period, and between 5 and 10 individuals during the O&M Period. The Manager can reassign any personnel upon 30 days' notice to Lessee. The Manager will prepare an annual staffing plan describing personnel of the Manager and Lessee.

## **Fees and Expenses**

The Manager will be reimbursed monthly by Lessee for all reasonable costs and expenses incurred by the Manager for rendering its services so long as such costs and expenses are incurred in accordance with the annual services budget.

The Manager will also be paid a Management Fee, composed of two components, a base fee (the "Base Fee") and a performance fee (the "Performance Fee," and together with the Base Fee, the "Management Fee"). The Base Fee will be calculated as follows:

From the Lease Commencement Date to Substantial Completion of the New Terminal B Facilities, the Base Fee will be US\$7.75 million per annum, and subsequent

to Substantial Completion of the New Terminal B Facilities, the Base Fee will be US\$3.75 per annum. Post-Substantial Completion Base Fees will be adjusted annually by the Consumer Price Index specified in the MSA, indexed to January 6, 2020, with such adjustment to be made each January thereafter. The Base Fee will be paid monthly in arrears.

From the Lease Commencement Date to Substantial Completion, the Performance Fee will be calculated as follows with respect to the periods in such timeframe corresponding to the completion of a New Facilities Construction Milestone or on Substantial Completion, as more fully described in the MSA (each a “DBO Period”):

For each of the first three DBO Periods, the Performance Fee will be equal to 60% of the pro-rated Base Fee in such DBO Period. The Performance Fee for each DBO Period thereafter until Substantial Completion will be the difference of 60% (subject to adjustments described below) of the total Base Fee from the Lease Commencement Date up to the end of the applicable DBO Period (subject to adjustments described below) less the sum of all Performance Fees previously earned by the Manager over all previous DBO Periods.

From the date of Substantial Completion to the end of the year in which Substantial Completion is achieved, the Performance Fee will be 110% (subject to adjustments described below) of the pro-rated Base Fee for such time period.

From the first day following the year Substantial Completion is achieved to expiration of the Lease Agreement, the Performance Fee will be 110% (subject to adjustments described below) of the Base Fee.

The percentage of the Base Fee used for calculating the Performance Fee, other than for the first three DBO Periods, will be increased or decreased by 2% for every 1% of variance between Lessee’s actual net available revenues for distribution and certain projected levels of net revenues available for distribution, as specified in the MSA, for each applicable DBO Period pre-Substantial Completion, and for each calendar year post-Substantial Completion.

The Performance Fee will be paid within 90 days following each DBO Period prior to Substantial Completion, and each calendar year following Substantial Completion. If, however, after Substantial Completion, the payment of all or a portion the Performance Fee will trigger a prohibition on equity distribution under the Financing Documents, such portion of the Performance Fee will be withheld until the prohibition is no longer in effect.

In the event that, with respect to any calendar year, (a) Lessee is assessed financial penalties under the Lease Agreement with respect to the performance component of the Terminal Operator’s management fee on account of Lessee’s failure to achieve the performance standards and response standards prescribed by the Lease Agreement, and (b) the failure to achieve such Performance Standards and Response Standards was caused by a failure of the Manager to perform in accordance with best management practice, Lessee may reduce the Performance Fee payable to the Manager in respect of such year by the amount of such financial penalties that is attributable to the failure of the Manager to perform its services in accordance with best management practice.

## **Limitations on Authority of Manager**

The Manager is not authorized to bind Lessee and/or make any decisions on behalf of Lessee unless expressly permitted to do so by the MSA or the Lessee's Board of Directors.

## **Reporting and Record-keeping**

The Manager will provide Lessee with monthly reports regarding all matters relevant to Lessee's operations and comply with Lessee's record keeping obligations under the Lease Agreement. Additionally, the Manager will make records under its control accessible to the Port Authority and Lessee as required by the Lease Agreement and the MSA.

## **Covenants**

Lessee agrees, among other things, to timely perform its obligations under the MSA and provide the Manager with the control, access, information, personnel, work space, equipment, approvals and payments necessary to enable the Manager to perform its services. The Manager agrees, among other things, to timely perform its obligations under the MSA and comply with the Lease Agreement, Financing Documents, license requirements, government approvals, applicable law, budgets, plans and policies; and to prepare any required budgets, staffing plans, financial documents and reports. Both parties also mutually agree to respect the confidential nature of the other's proprietary information.

## **Indemnification**

Each party agrees to indemnify the other for losses claimed by third parties as a result of the indemnifying party's negligence, fraud, omission, or willful misconduct in connection with its performance under the agreement; breach of the agreement; and any claims of patent or copyright infringement. The indemnification obligations will survive the early termination or expiration of the agreement for a period of twenty-four (24) months.

## **Limitations on Liability**

With the exception of the Manager's gross negligence, fraud, or willful or criminal misconduct, the Manager's aggregate liability in connection with the MSA (including indemnification obligations) is capped annually as follows:

For each calendar year prior to the year Substantial Completion is achieved; 75% of the then-current annual Base Fee;

For the year Substantial Completion is achieved: 75% of the earned Base Fee up to and including the date of Substantial Completion, and 100% of the projected Base Fee to be earned for the remainder of such calendar year plus 18% of all Performance Fees paid to the Manager during the prior three calendar years that are allocable to the portion of such period occurring up to and including the date of Substantial Completion; and

For each calendar year following the year of Substantial Completion: the sum of the Base Fee and (i) 18% of any Performance Fees paid to the Manager during the prior three calendar years that are allocable to the portion of such period occurring prior to and including the date of Substantial Completion, plus (ii) 20% of all Performance Fees paid to the Manager during the prior three calendar years that are allocable to the portion of such period occurring after the date of Substantial Completion.

## **Annual Services Budget**

The Manager is required to prepare an annual services budget each calendar year describing all costs, expenses and disbursements expected to be incurred by Lessee with respect to Lessee operations, including the Management Fee and expenses payable to the Manager, and submit the same to Lessee for approval.

## **Parent Guaranty**

The Manager must deliver to the Lessee (and if requested, to the Lenders) a parent guaranty from Vantage Airport Group Ltd. that guarantees the Manager's performance and payment obligations.

## **Insurance**

The Manager will maintain errors and omissions insurance, and professional liability insurance, with a combined single limit per occurrence of not less than \$5,000,000 and an aggregate limit of not less than \$10,000,000 per annual policy period, and all other insurance required by law; and shall name Lessee as an additional insured under all such policies. The Manager will also assist Lessee with securing all insurance policies required by the Project Documents, Key Contracts, Financing Documents and applicable law, and all such policies shall name the Manager as an additional insured.

## **Events of Default**

The Manager shall be considered in default for the following events if not cured within the proscribed time frame, if applicable: a false representation or warranty in the MSA; failure to perform a material obligation under the MSA; acting outside the scope of authority granted by the MSA; bankruptcy or insolvency, whether it be voluntary or involuntary; a Terminal Operator Change in Control under the Lease Agreement without the Port Authority's consent; an unpermitted assignment of the Manager's interest in Lessee; bankruptcy or insolvency of the Manager's parent guarantor; failure of the Manager's parent guarantor to perform under its parent guaranty; acts by the Manager that cause Lessee to be in default under the Lease Agreement; and the Manager or its affiliate, Vantage Airport Group (New York) no longer qualifying as a Qualified Terminal Operator under the Lease Agreement. In the event of a Manager default, Lessee shall have the right to terminate the MSA in addition to any rights Lessee may have at law or equity.

The Lessee shall be considered in default for the following events if not cured within the proscribed time frame, if applicable: a false representation or warranty in the MSA; failure to perform a material obligation under the MSA; bankruptcy or insolvency, whether it be voluntary or involuntary; failure to make payments under the MSA; and the Port Authority terminates the Lease Agreement as a result of Lessee's default thereunder. In the event of a Lessee default, the Manager shall have the right to terminate the agreement in addition to any rights the Manager may have at law or equity.

## **Termination**

The MSA will terminate upon the earliest of the following: the end of the term under the MSA, mutual agreement by the parties to terminate the MSA, a party elects to terminate the MSA after the default of the other party, or termination of the Lease Agreement.

**Port Authority Step-in Rights**

If Lessee fails to perform its obligations under the Lease Agreement, and subject to certain Lender's rights, the Port Authority has the right to step into the shoes of Lessee under the MSA.

**Dispute Resolution**

Senior executives of each party will have 15 days to resolve monetary disputes, and 20 days to resolve any other dispute, under the MSA. If the executives cannot settle the dispute, the matter will be submitted to binding and final arbitration conducted in New York, New York, in accordance with the Rules of Arbitration of the International Chamber of Commerce.

**No Assignment**

Neither party may assign their rights under the MSA without the other party's prior written consent, and the consent of the Port Authority if required by the Lease Agreement, except that Lessee may (without relieving itself of liability) transfer any of its rights under the MSA to any Lender in connection with any Borrower Debt.



## Appendix H

### BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in an aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly controlled subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, defaults and proposed amendments to bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

Payments of principal, interest and Redemption Price on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information set forth above under this heading concerning DTC and DTC's book-entry system has been obtained from DTC.

**NO REPRESENTATION IS MADE BY THE ISSUER, TRUSTEE, COLLATERAL AGENT, BORROWER OR UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF THE**

INFORMATION SET FORTH ABOVE UNDER THIS HEADING NOR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Borrower's obligations under the Loan Agreements and the Series 2016 Notes, to the extent of the payments so made.

Prior to any discontinuation of the book-entry only system described above, the Trustee and the Issuer may treat DTC or its nominee, Cede & Co., as, and deem DTC or its nominee, Cede & Co., to be, the absolute owner of the Series 2016 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, Sinking Fund Installments for, Purchase Price and Redemption Price of, and interest on the Series 2016 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2016 Bonds, (iii) registering transfers with respect to the Series 2016 Bonds and (iv) the selection of Series 2016 Bonds for redemption.

None of the Issuer, Trustee, Borrower or Underwriters will have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC, its Nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2016 Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other person, other than an Owner, as shown in the Bond Register, of any notice with respect to any Series 2016 Bond, including, without limitation, any notice of redemption or any event which would or could give rise to an option with respect to any Series 2016 Bond, (iii) the payment of any DTC Participant or Indirect Participant or any other person, other than an Owner, as shown in the Bond Register, of any amount with respect to the principal of, sinking fund installments for, purchase price or redemption price of, or interest on, any Series 2016 Bond or (iv) any consent given by DTC as Registered Owner.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## APPENDIX I-1

### FORM OF BORROWER CONTINUING DISCLOSURE AGREEMENT

#### DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of May 1, 2016, is executed and delivered by **LaGuardia Gateway Partners LLC**, a Delaware limited liability company (the “Obligated Person”) and **Digital Assurance Certification, L.L.C.**, as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”) and with the Loan Agreements entered into in connection with the issuance of the Bonds.

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Obligated Person through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Obligated Person or anyone on the Obligated Person’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Section 2A(a) and Section 2A(g), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3A(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3A of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3A(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Quarterly Report, Monthly Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is

the Annual Report, Quarterly Report, Monthly Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice required to be, or the Voluntary Event Disclosure or Voluntary Financial Disclosure elected by the Obligated Person to be, submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the CUSIP numbers for all Bonds to which the document applies.

“CUSIP number” means, with respect to any Bonds the 9-character CUSIP number (the nine characters comprising a combination of digits and letters) relating to such Bonds.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

“Disclosure Representative” means the Chief Executive Officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Person’s failure to file (i) an Annual Report on or before the Annual Filing Date, (ii) a Quarterly Report on or before the Quarterly Filing Date or (iii) a Monthly Report on or before the Monthly Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (i) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) treated as the owner of any Bonds for federal income tax purposes.

“Indenture” means the Indenture of Trust dated as of May 1, 2016 between the Issuer and The Bank of New York Mellon, as trustee, pursuant to which the Bonds are issued.

“Information” means, collectively, the Annual Reports, the Quarterly Reports, the Monthly Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means New York Transportation Development Corporation, a local development corporation formed under Section 1411 of the New York Not-for-Profit Corporation Law.

“Monthly Report” means a Monthly Report described in and consistent with Section 3M of this Disclosure Agreement.

“Monthly Filing Date” means the date, set in Section 2M(a), by which the Monthly Report is to be filed with the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement, or the additional events listed in Section 4(b) of this Disclosure Agreement that are not so enumerated in the Rule.

“Official Statement” means that Official Statement of the Issuer prepared in connection with the Bonds listed on Exhibit A.

“Quarterly Report” means a Quarterly Report described in and consistent with Section 3Q of this Disclosure Agreement.

“Quarterly Filing Date” means the date, set in Section 2Q(a), by which the Quarterly Report is to be filed with the MSRB.

“Trustee” means The Bank of New York Mellon, as trustee under the Indenture, and its successors or assigns as trustee under the Indenture.

“Voluntary Event Disclosure” means information of any of the categories specified in Section 7(a) of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of any of the categories specified in Section 7(b) of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

## SECTION 2. Reports Generally.

Sections 2A, 2Q and 2M address the requirements for filing Annual Reports, Quarterly Reports and Monthly Reports by the Obligated Person with the Disclosure Dissemination Agent, and the corresponding obligation of the Disclosure Dissemination Agent to file such reports with the MSRB. With respect to all such filings by the Disclosure Dissemination Agent with the MSRB, the Disclosure Dissemination Agent shall provide the Obligated Person evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

### SECTION 2A. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than 120 days following the end of each fiscal year of the Obligated Person. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than one hundred thirty five (135) days after the end of each fiscal year of the Obligated Person, commencing with the fiscal year ending December 31, 2016. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate

documents comprising a package, and may cross-reference other information as provided in Section 3A, 3Q or 3M of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2A(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that the Obligated Person will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B (with the appropriate CUSIP numbers for the affected Bonds), which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B (with the appropriate CUSIP numbers for the affected Bonds), without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy of each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2A(a) and 2A(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2A(d) with the MSRB;

(f) Upon receipt (or irrevocable direction pursuant to Section 2A(b) of this Disclosure Agreement, as applicable), the Disclosure Dissemination Agent shall promptly file a completed copy of Exhibit B to this Disclosure Agreement (with the appropriate CUSIP numbers for the affected Bonds) with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2A(b) or Section 2A(c) of this Disclosure Agreement.



(g) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(h) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

#### SECTION 2Q. Provision of Quarterly Reports.

(a) The Obligated Person shall provide, for the first, second and third fiscal quarter of each fiscal year of the Obligated Person, an electronic copy of the Quarterly Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than sixtieth (60<sup>th</sup>) day following the end of each of the first three quarter, beginning with the quarter ending September 30, 2016. Promptly upon receipt of an electronic copy of the Quarterly Report and the Certification, the Disclosure Dissemination Agent shall provide an Quarterly Report to the MSRB not later than sixty-five (65) days after the end of each such quarter. Such date and each date as applied to each such calendar quarter thereafter is the Quarterly Filing Date. The Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3Q of this Disclosure Agreement.

(b) If on the fifth (5<sup>th</sup>) day prior to the Quarterly Filing Date, the Disclosure Dissemination Agent has not received a copy of the Quarterly Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer and the Trustee, to remind the Obligated Person of its undertaking to provide the Quarterly Report pursuant to Section 2Q(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Quarterly Report and the Certification no later than two (2) business days prior to the Quarterly Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that the Obligated Person will not be able to file the Quarterly Report within the time required under this Disclosure Agreement, state the date by which the Quarterly Report for such quarter will be provided and authorize the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit D, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received a Quarterly Report and Certification by 10:00 a.m. Eastern time on the Quarterly Filing Date (or, if such Quarterly Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Quarterly Report, a Failure to File Event shall have occurred and the Obligated Person irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit D without reference to the anticipated filing date for the Quarterly Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

- (d) The Disclosure Dissemination Agent shall:
- (i) verify the filing specifications of the MSRB prior to each Quarterly Filing Date; and
  - (ii) upon receipt, promptly file each Quarterly Report received under Sections 2Q(a) and 2Q(b) with the MSRB.
- (e) Upon receipt (or irrevocable direction pursuant to Section 2Q(c) of this Disclosure Agreement, as applicable), the Disclosure Dissemination Agent shall promptly file a completed copy of Exhibit D to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide quarterly report as required” when filing pursuant to Section 2Q(b) or Section 2Q(c) of this Disclosure Agreement.

SECTION 2M. Provision of Monthly Reports.

(a) Until such time as the Obligated Person certifies that Substantial Completion has occurred, the Obligated Person shall provide, monthly, an electronic copy of the Monthly Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than the twenty-eighth (28<sup>th</sup>) day following the end of each month, beginning with the month of June, 2016. Promptly upon receipt of an electronic copy of the Monthly Report and the Certification, the Disclosure Dissemination Agent shall provide a Monthly Report to the MSRB not later than thirty-five (35) days after the end of each such month. Such date and each monthly anniversary thereof is the Monthly Filing Date. The Monthly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3M of this Disclosure Agreement.

(b) If on the fifth (5<sup>th</sup>) day prior to the Monthly Filing Date, the Disclosure Dissemination Agent has not received a copy of the Monthly Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer and the Trustee, to remind the Obligated Person of its undertaking to provide the Monthly Report pursuant to Section 2M(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Monthly Report and the Certification no later than two (2) business days prior to the Monthly Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that the Obligated Person will not be able to file the Monthly Report within the time required under this Disclosure Agreement, state the date by which the Monthly Report for such quarter will be provided and authorize the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit D, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received a Monthly Report and Certification by 10:00 a.m. Eastern time on the Monthly Filing Date (or, if such Monthly Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Monthly Report, a Failure to File Event shall have occurred and the Obligated Person irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit D without reference to the anticipated filing date for the Monthly Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

- (d) The Disclosure Dissemination Agent shall:
- (i) verify the filing specifications of the MSRB prior to each Monthly Filing Date; and
  - (ii) upon receipt, promptly file each Monthly Report received under Sections 2M(a) and 2M(b) with the MSRB.

SECTION 3A. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Obligated Person, including Audited Financial Statements, if available, and information of the type included in the Official Statement under the following headings:

- (i) Debt Service Coverage for the completed year.
- (ii) Debt Service Reserve Requirement for each Debt Service Reserve Sub-Account for the year in which the filing is made, and amount in each Debt Service Reserve Sub-Account as of the January 1 of such year.
- (iii) For each DSCR Calculation Period during the completed year, the determination of whether the Restricted Payment Conditions were satisfied.
- (iv) The 5-year schedule of Major Maintenance Reserve Requirement as set forth in the then-current asset preservation schedule.
- (v) Information concerning airline and passenger traffic at the Existing Terminal B or the New Terminal B, as applicable, of the type set forth in the following tables under the heading in the Official Statement titled “PART V – LAGUARDIA AIRPORT – Historical Airline Market Share of Enplaned Passengers at the Airport”:
  - Historical Enplaned Passengers
  - Historical Airline Market Shares of Enplaned Passengers

(b) Audited Financial Statements as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared as described in the Official Statement will be included in the Annual Report. Audited Financial Statements will be provided pursuant to Section 2A(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined in the Rule), which have been previously filed with the Securities and Exchange Commission or available to the public on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in the continuing disclosure undertaking related to the Bonds, the Obligated Person is required to explain, in narrative form, the reasons for the

modification and the impact of the change in the type of operating data or financial information being provided.

#### SECTION 3Q. Content of Quarterly Reports.

(a) Each Quarterly Report shall contain, for the first, second and third fiscal quarter of the Obligated Person, unaudited financial statements of the Obligated Person, including the unaudited income statement and balance sheet of the Obligated Person as of the end of the applicable period and the related unaudited statements of operations, changes in member capital and cash flows of the Obligated Person for such period, certified by the president, chief executive officer, chief financial officer or treasurer of the Obligated Person.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

If the Quarterly financial information contains modified operating data or financial information different from the Quarterly financial information agreed to in the continuing disclosure undertaking related to the Bonds, the Obligated Person is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

#### SECTION 3M. Content of Monthly Reports.

(a) Each Monthly Report (which shall only be required to be submitted prior to Substantial Completion) shall contain such information as the Obligated Person shall have agreed to provide, including the following information:

- (i) An assessment of the overall construction progress of the D&C Work since the date of the last report (or, with respect to the first such report, the Closing Date) and setting forth a reasonable estimate as to the completion date for the applicable D&C Work.
- (ii) A detailed description of any material delays encountered or anticipated in connection with the D&C Work and a reasonably detailed description of the proposed course of action with respect to such delay.
- (iii) Any written proposal of the Obligated Person to suspend or abandon the Project (except to the extent the suspension is as a result of an emergency or otherwise permitted under the Lease Agreement).
- (iv) The occurrence of each New Facilities Construction Milestone, and confirmation of required transfers to Debt Service Reserve Account.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a

final official statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

#### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event within the meaning of the Rule:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

**Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization,

arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event agreed to be disclosed by the Obligated Person but not otherwise required by the Rule:

- (1) occurrence of Substantial Completion;
- (2) details of any litigation, pending or, if actually known, threatened in writing, by or before any arbitrator or Governmental Entity in which the amount involved exceeds \$10,000,000 for a pending litigation, or \$20,000,000 for a litigation threatened in writing, in each case which is not covered by insurance;
- (3) notice of the Obligated Person committing any “event of default” as defined in, or any material breach under, the Lease Agreement, the Leasehold Mortgages or the Loan Agreements;
- (4) the Obligated Person having actual knowledge of the filing or service of any mechanics lien or other claim that creates a lien upon the Construction Project in an amount in excess of \$5,000,000;
- (5) receipt by the Obligated Person of any notices asserting an Event of Default under, or purporting to terminate or suspend performance of, any Key Contract; and
- (6) Appointment of a successor or additional Collateral Agent or the change of name of a Collateral Agent, if material.

The Obligated Person shall, in a timely manner not in excess of nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred, include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (d) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred, include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(d) If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in subsection (b) or (c) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(e) The Trustee may deliver notices of redemption or defeasance of Bonds to the Disclosure Dissemination Agent on behalf of the Obligated Person for filing pursuant to this Section 4. Upon receipt of any such notice, the Disclosure Dissemination Agent shall promptly file the text of such notice with the MSRB in accordance with this Disclosure Agreement.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Obligated Person shall indicate the full name of the Bonds and the CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Obligated Person will provide the Disclosure Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 7. Voluntary Filings.

(a) The Obligated Person may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in this Section 7(a)), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

The categories of Voluntary Event Disclosure are as follows:

1. “amendment to continuing disclosure undertaking;”
2. “change in Obligated Person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service”, other than those required by the Rule;
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures.”

(b) The Obligated Person may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in this Section 7(b)), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

The categories of Voluntary Financial Disclosure are as follows:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”



7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(c) The parties hereto acknowledge that the Obligated Person is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to an issue of the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds of such issue, when the Obligated Person is no longer an “obligated person” (within the meaning of the Rule), or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Obligated Person has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable, until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days’ prior written notice to the Obligated Person.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’ rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties’ obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer Responsibility. The Obligated Person and the Disclosure Dissemination Agent acknowledge that the Issuer has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Obligated Person and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not

materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Obligated Person nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the Obligated Person. No such amendment shall become effective if the Obligated Person shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the Underwriters (as defined in the Official Statement), and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of New York. The Disclosure Dissemination Agent consents to the jurisdiction of the New York district courts for enforcement of this Disclosure Agreement.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows]

The Disclosure Dissemination Agent and the Obligated Person have caused this Disclosure Dissemination Agent Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as  
Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LAGUARDIA GATEWAY PARTNERS LLC  
as Obligated Person

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

**NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION  
SPECIAL FACILITIES BONDS, SERIES 2016A  
(TAX-EXEMPT) (AMT)  
(LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)**

Maturity Date	Principal Amount	Interest Rate	CUSIP
7/1/2030	\$ 10,100,000	5.000%	650116AU0
7/1/2031	39,530,000	4.000%	650116AH9
7/1/2032	44,230,000	4.000%	650116AJ5
7/1/2033	49,190,000	4.000%	650116AK2
7/1/2034	54,560,000	5.000%	650116AL0
7/1/2035	60,490,000	4.000%	650116AM8
7/1/2036	66,310,000	4.000%	650116AN6
7/1/2037	72,450,000	4.000%	650116AP1
7/1/2041	100,000,000	4.000%	650116AS5
7/1/2041	262,160,000	5.000%	650116AQ9
7/1/2046	100,000,000	4.000%	650116AW6
7/1/2046	555,610,000	5.000%	650116AR7
1/1/2050	633,050,000	5.250%	650116AV8
1/1/2051	212,700,000	4.000%	650116AT3

**NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION  
SPECIAL FACILITIES BONDS, SERIES 2016B  
(TAXABLE)  
(LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)**

Maturity Date	Principal Amount	Interest Rate	CUSIP
7/1/2024	\$ 7,150,000	3.023%	650116AX4
1/1/2025	7,920,000	3.123	650116AY2
7/1/2025	8,720,000	3.223	650116AZ9
1/1/2026	9,540,000	3.273	650116BA3
7/1/2026	10,380,000	3.323	650116BB1
7/1/2027	23,390,000	3.423	650116BC9
7/1/2028	27,050,000	3.473	650116BD7
7/1/2029	30,920,000	3.573	650116BE5
7/1/2030	24,930,000	3.673	650116BF2

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Issuer: New York Transportation Development Corporation

Obligated Person: LaGuardia Gateway Partners, LLC

Name(s) of Bond Issue(s): Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT)  
(LaGuardia Airport Terminal B Redevelopment Project)

Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project)

Date(s) of Issuance: June 1, 2016

Date(s) of Disclosure Agreement: As of May 1, 2016

CUSIP Numbers: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Obligated Person and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Obligated Person

\_\_\_\_\_

cc:

**EXHIBIT C-1  
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" may be sent to the MSRB pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

**New York Transportation Development Corporation  
LaGuardia Gateway Partners, LLC**

Issuer's Six-Digit CUSIP Number:

**650116**

Issuer's Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

Number of pages of attached: \_\_\_\_\_

\_\_\_\_\_ Description of Notice Event (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_\_ Failure to provide annual financial information as required

\_\_\_\_\_ Failure to provide quarterly report as required

\_\_\_\_\_ Failure to provide monthly report as required

I hereby represent that I am authorized by the Obligated Person or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_  
Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-2**  
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_\_ between the Obligated Person and DAC.

Issuer's and Obligated Person's Names:

**New York Transportation Development Corporations**

**LaGuardia Gateway Partners, LLC**

Issuer's Six-Digit CUSIP Number:

**650116**

Issuer's Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

---

Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Event Disclosure (Check One):

1. \_\_\_\_\_ "amendment to continuing disclosure undertaking;"
2. \_\_\_\_\_ "change in obligated person;"
3. \_\_\_\_\_ "notice to investors pursuant to bond documents;"
4. \_\_\_\_\_ "certain communications from the Internal Revenue Service;"
5. \_\_\_\_\_ "secondary market purchases;"
6. \_\_\_\_\_ "bid for auction rate or other securities;"
7. \_\_\_\_\_ "capital or other financing plan;"
8. \_\_\_\_\_ "litigation/enforcement action;"
9. \_\_\_\_\_ "change of tender agent, remarketing agent, or other on-going party;"
10. \_\_\_\_\_ "derivative or other similar transaction;" and
11. \_\_\_\_\_ "other event-based disclosures."

I hereby represent that I am authorized by the Obligated Person or its agent to distribute this information publicly:

Signature:

---

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:



**EXHIBIT C-3**  
**VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_\_ between the Obligated Person and DAC.

Issuer's and Obligated Person's Names:

**New York Transportation Development Corporation**

**LaGuardia Gateway Partners**

Issuer's Six-Digit CUSIP Number:

**650116**

Issuer's Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

---

Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Financial Disclosure (Check One):

1. \_\_\_\_\_ "quarterly/monthly financial information;"
2. \_\_\_\_\_ "change in fiscal year/timing of annual disclosure;"
3. \_\_\_\_\_ "change in accounting standard;"
4. \_\_\_\_\_ "interim/additional financial information/operating data;"
5. \_\_\_\_\_ "budget;"
6. \_\_\_\_\_ "investment/debt/financial policy;"
7. \_\_\_\_\_ "information provided to rating agency, credit/liquidity provider or other third party;"
8. \_\_\_\_\_ "consultant reports;" and
9. \_\_\_\_\_ "other financial/operating data."

I hereby represent that I am authorized by the Obligated Person or its agent to distribute this information publicly:

Signature:

---

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT D**

**NOTICE TO MSRB OF FAILURE TO FILE [QUARTERLY][MONTHLY] REPORT**

Issuer: New York Transportation Development Corporation

Obligated Person: LaGuardia Gateway Partners, LLC

Name(s) of Bond Issue(s): Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT)  
(LaGuardia Airport Terminal B Redevelopment Project)

Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project)

Date(s) of Issuance: June 1, 2016

Date(s) of Disclosure Agreement: As of May 1, 2016

CUSIP Numbers: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided a [Quarterly][Monthly] Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Obligated Person and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the [Quarterly][Monthly] Report will be filed by \_\_\_\_\_].

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Obligated Person

\_\_\_\_\_

cc:

**APPENDIX I-2**

**FORM OF PORT AUTHORITY CONTINUING DISCLOSURE AGREEMENT**

**AGREEMENT WITH RESPECT TO  
CONTINUING DISCLOSURE**

The Port Authority of New York and New Jersey (hereinafter called the “Authority”) agrees with the registered holders of the New York Transportation Development Corporation, Special Project Revenue Bonds, LaGuardia Airport Central Terminal Building Project, Series 2016 (hereinafter called the “Bonds”), and for the benefit of any individual purchasers of beneficial ownership interests in the Bonds, to provide information pertaining to the Authority generally of the type set forth in Section (b)(5)(i) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (as such Section is now in effect), while the Bonds are outstanding. In connection therewith, annual financial information and operating data of the Authority generally of the type set forth in Appendix I of the Official Statement dated \_\_\_\_\_, 2016, pertaining to the Bonds and annual audited financial statements of the Authority, when and if available, prepared consistent with the accounting principles set forth in the notes to such financial statements, will be provided solely to the Municipal Securities Rulemaking Board (“MSRB”), in an electronic format as prescribed by the MSRB and suitable for publication on its Electronic Municipal Market Access (“EMMA”) system, within one hundred twenty (120) days after the close of the Authority’s then current fiscal year.

Additionally, in connection therewith, notice of the occurrence of any failure of the Authority to provide annual financial and operating data as agreed to be provided by the Port Authority herein will be provided solely to the MSRB in an electronic format as prescribed by the MSRB and suitable for publication on its EMMA system and accompanied by identifying information as prescribed by the MSRB, in a timely manner (*i.e.*, within ten business days after the occurrence of any such events).

In consideration of the agreement of the Authority set forth herein, the sole and exclusive remedy for any failure of the Authority to provide the information in the manner specified herein shall be the right to obtain specific performance of such agreement to provide such information in a judicial proceeding instituted in accordance with applicable legislation pertaining to suits against the Authority; *provided, however*, that the Authority shall have received written notice of any such failure at least sixty (60) days prior to the commencement of any such judicial proceeding.

IN WITNESS WHEREOF, I have hereunto set my hand as an Authorized Officer of and on behalf of The Port Authority of New York and New Jersey this \_\_\_\_ day of May, 2016.

---

Authorized Officer  
THE PORT AUTHORITY  
OF NEW YORK AND NEW JERSEY

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Appendix J**

**FORM OF LEGAL OPINION OF CO-BOND COUNSEL**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**FORM OF LEGAL OPINION OF CO-BOND COUNSEL**

To Be Rendered By Each Of  
Squire Patton Boggs (US) LLP and D. Seaton and Associates

\_\_\_\_\_, 2016

New York Transportation Development Corporation  
c/o Empire State Development  
633 Third Avenue  
New York, New York 10017

Ladies and Gentlemen:

We have served as bond counsel to our client the New York Transportation Development Corporation (the “Issuer”), a not-for-profit local development corporation organized and existing under Section 1411 of the New York Not-for-Profit Corporation Law, being Chapter 35 of the Consolidated Laws of the State of New York (the “Act”), created by action of the New York Job Development Authority established under Section 1802, Subtitle I, Title 8, Article 8, of the New York Public Authorities Law, and not as counsel to any other person in connection with the issuance by the Issuer of its New York Transportation Development Corporation Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT) (LaGuardia Airport Terminal B Redevelopment Project) in the aggregate principal amount of \$2,260,380,000 (the “Series 2016A Bonds”), New York Transportation Development Corporation Special Facilities Bonds, Series 2016B (Taxable) (LaGuardia Airport Terminal B Redevelopment Project) in the aggregate principal amount of \$150,000,000 (the “Series 2016B Bonds,” together with the Series 2016A Bonds, “Series 2016 Bonds”), dated the date of this letter.

The Series 2016 Bonds are issued under the Act and the Indenture of Trust, dated as of May 1, 2016, (the “Indenture”) and resolutions of the Issuer adopted on April 26, 2016 and May 13, 2016 (together, the “Resolution”). Capitalized terms not otherwise defined in this letter are used as defined in the Indenture.

The Series 2016 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity in the manner and upon the terms and conditions set forth in the Indenture.

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2016 Bonds, a copy of the signed and authenticated Series 2016 Bonds; the Loan Agreements, dated as of May 1, 2016 (the “Loan Agreements”), between the Issuer and LaGuardia Gateway Partners LLC, a Delaware limited liability company (the “Borrower”) and related promissory notes of the Borrower (the “Notes”) evidencing the loans made pursuant to the Loan Agreements; the Collateral Agency Agreement, dated as of May 1, 2016, (the “Collateral Agency Agreement”) by and among the Borrower, The Bank of New York Mellon, as the Collateral Agent (the “Collateral Agent”), the Securities Intermediary and the Deposit Account Bank, and The Bank of New York Mellon, as Trustee; and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

## *Appendix J*

Based on that examination and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The Resolution has been duly and lawfully adopted by the Issuer.
2. The Series 2016 Bonds, the Indenture, and the Loan Agreements are valid and binding obligations of the Issuer, enforceable in accordance with their respective terms.
3. The Indenture creates the valid pledge which it purports to create of the loan payments, revenues and receipts payable or receivable under the Loan Agreements and the Series 2016 Notes and the moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
4. The Issuer has the right and power to authorize, execute and deliver the Series 2016 Bonds, and the Series 2016 Bonds have been duly authorized, executed and delivered by the Issuer. The Series 2016 Bonds are valid and binding special limited revenue obligations of the Issuer, are enforceable against the Issuer in accordance with their terms and the terms of the Indenture and are payable as to principal, Redemption Price, Purchase Price, and interest from moneys on deposit in the funds and accounts maintained under the Indenture. The payment of debt service on the Series 2016 Bonds is not secured by an obligation or pledge of any money raised by taxation, and the Series 2016 Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of New York or any of its political subdivisions.
5. Interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except interest on any Series 2016A Bond for any period during which it is held by a “substantial user” of the facilities financed or a “related person,” as those terms are used in Section 147(a) of the Code, and is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Series 2016B Bonds is not excluded from gross income for federal income tax purposes and is not exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. We express no opinion as to any other tax consequences regarding the Series 2016 Bonds.

Initial purchasers of the Series 2016A Bonds whose initial adjusted basis in such Bonds exceeds the respective principal amount of such Bonds (“Premium Bonds”) will have bond premium to the extent of that excess. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield must be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual



matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Issuer.

In rendering those opinions with respect to the treatment of the interest on the Series 2016A Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Issuer, the Borrower, and certain other entities. Failure to comply with certain of those covenants subsequent to issuance of the Series 2016A Bonds may cause interest on the Series 2016A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Series 2016 Bonds and the enforceability of the Series 2016 Bonds, the Indenture and the Loan Agreements are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2016 Bonds, the Indenture, or the Loan Agreements. Furthermore, we express no opinion with respect to the status or quality of title to, or interest in, any of the real, personal or intangible property and other assets described in, or subject to, the pledge or lien granted in Loan Agreements, or the accuracy or sufficiency of the description contained therein of, or the priority of, or the remedies available to enforce, any pledge or lien on any such assets.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreements by the Borrower. We have assumed the due authorization, execution and delivery of the Loan Agreement by the Borrower.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2016 Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2016 Bonds has concluded on this date.

Very truly yours,

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Appendix K**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
31 West 52nd Street, New York, N.Y. 10019  
(212) 974-0100

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**





NEW YORK TRANSPORTATION DEVELOPMENT CORPORATION  
\$2,260,380,000 • SPECIAL FACILITIES BONDS, SERIES 2016A (TAX-EXEMPT) (AMT) (LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)  
\$150,000,000 • SPECIAL FACILITIES BONDS, SERIES 2016B (TAXABLE) (LAGUARDIA AIRPORT TERMINAL B REDEVELOPMENT PROJECT)



**New York  
Transportation  
Development  
Corporation**



Printed by: ImageMaster, LLC  
[www.imagemaster.com](http://www.imagemaster.com)