Financial Statements

LaGuardia Gateway Partners LLC
Year Ended December 31, 2016
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

LaGuardia Gateway Partners LLC

Financial Statements

Year Ended December 31, 2016

Contents

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Report of Independent Auditors

The Member of
LaGuardia Gateway Partners LLC

We have audited the accompanying financial statements of LaGuardia Gateway Partners LLC, which comprise the balance sheet as of December 31, 2016, and the related statements of operations and comprehensive loss, members' deficit and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 financial statements that are free of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaGuardia Gateway Partners LLC at December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 24, 2017

LaGuardia Gateway Partners LLC

Balance Sheet

December 31, 2016

Assets	
Current assets:	
Cash and cash equivalents (*Note 2*)	$ 4,754,498
Restricted cash *(Note 2)*	69,609,059
Restricted short-term investments *(Notes 2)*	250,310,059
Accounts receivable *(Notes 2 and 5)*	69,712,998
Prepaid expenses and other assets *(Note 2)*	16,050,919
Total current assets	410,437,533
Property and equipment, net *(Notes 2 and 6)*	4,076,156
Restricted investments *(Notes 2)*	1,794,972,012
Costs in excess of billing *(Note 2)*	516,693,993
Other long-term assets *(Notes 2)*	56,032,774
Total assets	$ 2,782,212,468
Liabilities and member's equity	
Current liabilities:	
Accounts payable and accrued liabilities *(Note 7)*	$ 10,079,315
Accounts payable, related parties *(Note 8)*	107,111,561
Current portion of deferred revenue *(Note 2)*	1,138,099
Accrued interest on debt	56,157,433
Total current liabilities	174,486,408
Long-term debt	2,605,964,298
Other long-term liabilities, related parties *(Notes 2 and 9)*	2,712,500
Other long-term liabilities *(Note 2 and 3)*	3,467,616
Total liabilities	2,786,630,822
Member's deficit	(4,418,354)
Total liabilities and member's equity	$ 2,782,212,468

See accompanying notes.

LaGuardia Gateway Partners LLC

Statement of Operations and Comprehensive Loss

Year Ended December 31, 2016

Revenue:		
Airline, net *(Note 2)*	$	20,457,573
Retail, net *(Note 2)*		6,567,273
Other, net *(Note 2)*		2,894,867
Construction *(Notes 2)*		369,985,583
Total revenues		399,905,296
Expenses:		
Construction		369,985,583
Repairs, maintenance, and security *(Note 2)*		3,569,090
Management fees *(Note 2)*		3,978,333
Utilities		4,577,667
Salaries and benefits *(Note 10)*		4,775,445
Materials, supplies, and services		7,901,670
Professional services		2,428,997
Overhead *(Note 2)*		6,039,015
General and administrative and insurance		1,860,025
Depreciation and amortization *(Notes 2 and 6)*		398,078
Interest income *(Note 2)*		(1,218,253)
Total expenses		404,295,650
Net loss and comprehensive loss	$	(4,390,354)

See accompanying notes.

LaGuardia Gateway Partners LLC

Statement of Member Deficit

Year Ended December 31, 2016

Member's deficit at December 31, 2015	$	(28,000)
Net loss		(4,390,354)
Member's deficit at December 31, 2016	$	(4,418,354)

See accompanying notes.

LaGuardia Gateway Partners LLC

Statement of Cash Flow

Year Ended December 31, 2016

Operating activities		
Net loss	$	(4,390,354)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		398,078
Changes to operating assets and liabilities:		
Accounts receivable		(54,498,397)
Other assets		(16,050,919)
Costs in excess of billings		(516,693,993)
Other long-term assets		(56,032,774)
Accounts payable and accrued expenses		95,826,507
Accrued interest on bonds		56,157,433
Deferred revenue		1,138,099
Other long term		6,180,116
Net cash flows used in operating activities		(487,966,204)
Investing activities		
Restricted cash and investments		(2,114,891,130)
Purchase of property, plant, and equipment		(4,474,234)
Net cash used in investing activities		(2,119,365,364)
Financing activities		
Long-term debt acquisition		2,629,414,575
Debt issue costs		(23,450,277)
Net cash provided by financing activities		2,605,964,298
Net decrease in cash and cash equivalents		(1,367,270)
Cash and cash equivalents at beginning of year		6,121,768
Cash and cash equivalents at end of year	$	4,754,498
Supplemental disclosure of non-cash financing activities		
Cash interest paid	$	9,359,572

See accompanying notes.

1. Organization and Basis of Presentation

LaGuardia Gateway Partners, LLC (the Company) is a Delaware limited liability company. The Company was formed on June 16, 2015, by Vantage Airport Group (New York), Skanska ID LGP, LLC and MI LaGuardia CTB, LLC (each individually a "Member," and collectively, the "Members") each holding a one-third interest in the Company. The Company will continue in perpetuity unless dissolved as allowed for in its agreement (the "LLC Agreement").

The Company entered into a lease agreement, such lease is effective June 1, 2016 through December 30, 2050 and is referred to herein as the "Port Authority Lease, with the Port Authority of New York and New Jersey (the "Port Authority")and under that agreement is responsible for the design and construction of the New Terminal B, New Improvements and Central Hall (collectively, the "Construction Project"), as well as the operations and maintenance of the Existing Terminal B and New Terminal B (the "Operations and Maintenance Project"), collectively the Construction Project and Operations and Maintenance Project is referred to as the "Project." The Construction Project includes:

1. The operation, maintenance, decommissioning and demolition of the Existing Terminal B (referred to as the "Existing Terminal B")

2. The demolition of the P2 Garage, Hanger 1 and frontage roads associated therewith and with the Existing Terminal B

3. The decommissioning and demolition of the existing Central Electric Substation;

4. The decommissioning and demolition of the existing central heating and refrigeration plant handling the Airport

5. The design and construction of the New Terminal B, including the (a) elevated and at-grade pedestrian walkway connection between the New Terminal B and the West Parking Garage, (b) new central heating and refrigeration plant, (c) new consolidated receiving and warehouse distribution facility, and (d) such portion of the hydrant aircraft fueling infrastructure that will be located within the leased premises (referred to as the "New Terminal B")

6. The design, construction, operation and maintenance of a new central arrivals/departure hall (referred to as the "Central Hall").

1. Organization and Basis of Presentation (continued)

7. The New Improvements, including the (a) fitout of Building 30 and relocation of Port Authority staff to Building 30, (b) design and construction of improvements to the public airport roads and utilities associated with such airport improvements, (c) design and construction of utilities, (d) design and construction of the new West Garage and toll plazas, and (e) airfield modifications between the New Terminal B and contiguous airport ramp and apron area and the adjacent taxiways (referred to as the "New Improvements")

Concurrent with the execution of the Port Authority Lease, the Company entered into a Design-Build Contact (the "DB Contract") with a joint venture among Skanska USA Building Inc., Skanska USA Civil Northeast Inc. (both considered Related Parties, See Note 8 Transactions with Members,) and Walsh Construction Company II, LLC (the "DB Contractor"). The DB Contract requires that the DB Contractor perform all construction activities related to the Construction Project in the amount of $3,981,650,246, as the same may be adjusted per the DB Contract. The Company incurred total construction costs under the DB Contract of $793,894,658 through December 31, 2016.

On May 1, 2016, The New York Transportation Development Corporation issued Special Facilities Bonds, Series 2016A (Tax-Exempt) (AMT) in the aggregate principal amount of $2,260,380,000 (the "Series 2016A Bonds") and Special Facilities Bonds, Series 2016B (Taxable) in the aggregate principal amount of $150,000,000 (the "Series 2016B Bonds" together with the Series 2016A Bonds, the "Series 2016 Bonds"), pursuant to an Indenture of Trust (the "Indenture") between the New York Transportation Development Corporation and the Bank of New York Mellon, as trustee, (the "Trustee"). The proceeds of the Series 2016 Bonds were loaned to the Company pursuant to a Building Loan and Project Loan Agreements (the "Loan Agreements") to (1) finance a portion of the costs relating to the design and construction of the Project (excluding the New Improvements and Central Hall), (2) to partially fund capitalized interest during construction, (3) to fund a working capital reserve account, and (4) to pay certain costs of issuance related to the Series 2016 Bonds.

1. Organization and Basis of Presentation (continued)

The Company recognizes the design and construction activities under the DB Contract as a separate unit of accounting and therefore, records as Construction Expense all amounts billed by the DB Contractor when billed, and then records Construction Revenue in the same amount, with no markup.

The Project costs (excluding the New Improvements and Central Hall) not funded by the Series 2016 Bonds, will be funded with (1) certain revenues received from the operation of the Existing Terminal B and New Terminal B, (2) equity contributions from the Company, (3) interest income, and (4) Port Authority funding of $1,000,000,000. The costs of the New Improvements and Central Hall will be funded by the Port Authority.

Distributions

The Company expects, from time to time, to make distributions of cash flows and capital proceeds to its Members, as and to the extent available subject to any limitations specified in the Port Authority Lease or Loan Agreements.

For the year ended December 31, 2016, no distributions were declared or made to the Members.

Contributions

Per an executed Equity Contribution Agreement, each Member is required to fund their Total Equity Commitment of $66,666,667, totaling the Company's base equity commitment of $200,000,000. Neither the Equity Contribution Agreement nor LLC Agreement require contributions in excess of each Member's Total Equity Commitment. Each Member's Total Equity Commitment is further supported by Letters of Credit (an "Equity Letter of Credit") posted by each Member, in favor of the Company.

Per the LLC Agreement, the fees related to carrying the Equity Letter of Credit are reimbursable to each Member by the Company and are reflected as an expense, in Overhead, in the statement of operations.

2. Summary of Significant Accounting Policies

Basis of Presentation of the Financial Statements

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Use of Estimates

U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant judgments and estimates include the assessment required to value project progress earned value. The estimates and assumptions used in the financial statements are based upon management's evaluation of the relevant facts and circumstances as of December 31, 2016. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with original maturities of three months or less to be cash equivalents. Cash equivalents include short-term investments in depository accounts.

Restricted Cash

As of December 31, 2016, $69,609,059 of restricted cash were deposited in certain restricted funds and were dedicated to the payment of, among other things, the construction cost of the New Terminal B, rent and operating costs. For purposes of the statements of cash flows, the Company has classified changes in the restricted cash balance as operating activities since the cash is restricted for such use.

Restricted Short-Term Investments

As of December 31, 2016, $250,310,059 of restricted short-term investments were deposited in interest bearing investments ranging from .11% to .69%, consisting primarily of commercial paper and treasury bonds, with varying maturities, but none greater than 45 days. These funds were dedicated to the payment of, among other things, the construction cost of the New Terminal B, rent and operating costs. The interest earned on these funds for the year ended December 31, 2016

2. Summary of Significant Accounting Policies (continued)

totaled $152,152. For purposes of the statements of cash flows, the Company has classified changes in the restricted cash balance as operating activities since the cash is restricted for such use. All such investments are considered Level 1 as defined.

Restricted Investments

As of December 31, 2016, $1,794,792,012 of restricted investments were deposited in guaranteed investment contracts ("GIC'(s)") with several different financial institutions. All GIC's, with one exception ("Variable GIC"), include agreed upon monthly redemptions and fixed interest rates. The interest rates, redemption amounts and GIC maturities vary by financial institution, with the latest maturity occurring on October 20, 2022. The Variable GIC earns interest at a variable rate pegged to LIBOR and redemptions may occur as requested by the Company. Interest earned on the GIC's (except interest earned on the investment of taxable bond proceeds) is recorded as costs in excess of billings and totaled $18,785,627 for the year ending December 31, 2016. Interest earned on the GIC investment of taxable bond proceeds totaled $1,218,253 for the year ending December 31, 2016 and is included as interest income in the accompanying financial statements. All such investments are considered Level 1 as defined.

Accounts Receivable

The Company manages the airline and concession activities at the Existing Terminal B and is also responsible for the construction of the Project. Amounts billed under the DB Contract to the Company related to the New Improvements and Central Hall, are collectible from the Port Authority. In general, accounts receivable, are due within 30 days. The Company holds security deposits from the airlines and concessionaires, but not under the DB Contract. The Company establishes allowances for doubtful accounts when losses are deemed probable. There was no need for an allowance for doubtful accounts in the current year.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include amounts paid by the Company for general business insurance coverage, maintenance contracts, and security deposits.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Equipment has an estimated useful life of five years. Leasehold improvements are amortized over the shorter of the remaining life of the Existing Terminal B as the estimated useful life of the asset would be greater than the remaining life of the Existing Terminal B. When assets are retired or sold, the assets and related accumulated depreciation are removed from the respective accounts and any profit or loss on the disposition is credited or charged to the Statement of Operations and Comprehensive loss.

The cost of property and equipment at December 31, 2016 is approximately $4,474,234. The accumulated depreciation related to these assets for the year ended December 31, 2016 is approximately $398,078.

Costs in excess of billings relates to the Port Authority Lease which requires the Company to design and build the New Terminal B. In accordance with Accounting Standards Codification (ASC) 605-35, the Company records the design and build activity on the percentage of completion basis and reflects the activity as costs in excess of billings on its financial statements. The value of the costs in excess of billings represents construction costs incurred for activities related to the New Terminal B and demolition of the Existing Terminal B, which remained unbilled, and cannot be billed, to the Port Authority as of the date of the balance sheet. Such costs on uncompleted contracts arise in the balance sheet when the amounts have not and cannot be billed by the end of the reporting period under the terms of the Lease Agreement. Once the New Terminal B is placed in service, the costs will be recognized over the remaining term of the Port Authority Lease. The total amount of the costs in excess of billings at December 31, 2016 is $516,693,993.

Impairments and Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. In reviewing for impairment, the Company compares the carrying value of the assets to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. When the estimated undiscounted future cash flows are less than their carrying amount, an impairment loss

2. Summary of Significant Accounting Policies (continued)

is recognized equal to the difference between assets' fair value and its carrying amount. The Company believes the future cash flows to be received from its long-lived assets exceed the assets' carrying value, and accordingly, the Company has not recognized any impairment losses for the years ended December 31, 2016.

Leases

The Company has long-term obligations under the Port Authority Lease. Under the terms of the Project (specifically the New Terminal B), the Company is responsible for the build-out of the premises and, as the assets are the property of the Port Authority, cannot be considered the owner. Although the Company is not considered the owner, the Company does have responsibility for development, construction and operation of the New Terminal B, on a long-term basis, and as such, the Company's construction activities related to the New Terminal B are accounted for as costs in excess of billings. The Company will recognize the costs over the life of the Lease, once the New Terminal B is placed in service (see Note 3).

The Company's lease with the Port Authority includes ground/operating lease obligations with predetermined fixed escalations of the minimum rentals during the term of the lease. The Company recognizes the rental expense on a straight-line basis, and as a reduction in operating revenues and records the difference between the amounts charged to operations and amounts paid as its deferred rent liability, and is included in other long-term liabilities on the financial statements.

Revenue Recognition

The Project represents two components of performance, the Construction Project and the Operations and Maintenance Project components.

The Company evaluates each deliverable in the Port Authority Lease Agreement to determine whether they represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value and there are no customer-negotiated refunds or return rights for the delivered elements. The Company has determined that the Port Authority Lease Agreement has two deliverables, the Construction Work and the Operations and Maintenance, because each has stand-alone value and qualifies as a separate accounting unit.

2. Summary of Significant Accounting Policies (continued)

The Company applies (ASU) 605-25, Multiple-Deliverable Revenue Arrangements, which requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling-price hierarchy. Allocating revenue using estimated selling prices requires significant judgments and estimates on the part of management. The Company based its estimates of selling price on the past experience and observations of other third parties.

Recognition of revenue and costs are in proportion to the percentage of completion on a cost basis over the Construction Project, in accordance with ASC 605-35. During the Construction Project, actual costs are expected to exceed revenue recognized. No loss for the costs expected in excess of revenue is recognized during the Construction Project as performance of the Operation and Maintenance component by the Company is probable and substantially within the Company's control. Since the delivery of the Operation and Maintenance component included in the Port Authority Lease Agreement is expected to generate positive margins allowing recovery of the loss associated with the Construction Project, the Company has deferred the costs associated with the Construction Project in excess of the allocated Port Authority Lease Agreement consideration. Costs in excess of the amount of revenue recognized during construction are capitalized as Costs in excess of billings. Remaining capitalized costs upon completion of the Construction Project will be recognized over the period the operation and maintenance is performed on the new Central Terminal Building.

Operations and maintenance revenue are recognized as services are performed on a proportionate performance basis as services are delivered. Amounts are presented net of lease payments to the Port Authority of $11,843,586 (see Note 3). The costs associated with these revenues are expensed in the period in which they are incurred.

Airline operation and maintenance revenue includes rent for space utilized in the Existing Terminal B, utility and operating cost reimbursements, including office and counter space, and handling fees. Amounts are presented net of lease payments to the Port Authority of $8,098,040.

Retail operation and maintenance revenue is earned from rent of space to the retail operators, food and beverage concessions and service providers. The payment terms vary and include fixed rents, rentals based on square footage or a combination of minimum rentals and varying percentages of gross receipts. Percentage rentals are recorded as revenue when the gross receipts amounts are reported to the Company. All current agreements expire in August 2018. Amounts are presented net of lease payments to the Port Authority of $2,599,626.

2. Summary of Significant Accounting Policies (continued)

Other operation and maintenance income primarily relates to cost reimbursements, advertising and telecommunications/Wi-Fi earnings and are recognized when reported. Amounts are presented net of lease payments to the Port Authority of $1,145,920.

Management Fees

The Company entered a management agreement ("Management Agreement") with Vantage Airport Group (New York) Management, LTD. ("Vantage Management"), a related party through one of the Company's members (see Note 8, Transactions with Members). Under the Management Agreement, Vantage Management provides personnel and services to support the operations at the Existing Terminal B, as well as the Project.

Fees under the Management Agreement (the "Management Fees") include base annual fees (the "Base Fee"), until Substantial Completion of the New Terminal B, of $7,750,000, payable monthly. In addition, Vantage Management will be eligible for an additional fee (the "Incentive Fee") which, until the opening of the head house of the New Terminal B (approximately January 2020), is equivalent to 60% of the Base Fee, and is not payable until achievement of certain construction milestones, the payment of which is expected to the achieved in 2018. The Incentive Fee is subject to escalation subsequent to completion of the head house of the New Terminal B. The financial statements include a full accrual of the Incentive Fee earned through December 31, 2016, and are reflected as Other long-term liabilities, related parties in the accompanying financial statements. Total Management fees accrued through December 31, 2016 total $7,233,333, and include Base Fees of $4,520,833 and Incentive Fees of $2,712,500. The Management fees are proportionately expensed and recorded as construction cost or general and administrative based upon an allocation of time and services provided.

Overhead

Overhead comprises expenses related to the mobilization of the Company of $2,000,000 paid to the Management Company, under a separate agreement (the "Mobilization Agreement"). In addition, and as noted in Note 1 above, Overhead expenses include fees on the Equity Letters of Credit of $3,517,808 and costs related to bussing as required by the Port Authority Lease. Both the fees under the Mobilization Agreement and Equity Letter of Credit fees are further discussed in Note 8, Transactions with Members.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company is a limited liability company and is a pass-through entity for federal and state income tax purposes. The Company is not liable for U.S. federal income taxes, as its Members recognize their share of income and loss in its respective tax returns. Accordingly, no provision for U.S. federal income taxes is recognized.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of restricted cash, restricted short-term investments, restricted investments and certain accounts receivable. The Company places its cash in a high-credit-quality commercial bank where the cash balance, at times, is more than the federally insured deposit limits. The Company regularly monitors the financial stability of the commercial bank and believes they are not exposed to significant credit risk. Additionally, most the Company's airline receivables and revenue are derived from major air carriers. Approximately nine air carriers operate out of Terminal B, none of which individually represented more than 40% of airline revenue in 2016.

Fair Value of Financial Instruments

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, accounting principles generally accepted in the United States of America establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of asset or liability as of the measurement date:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement dates for identical, unrestricted assets or liabilities.

Level 2 Quoted prices for markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

2. Summary of Significant Accounting Policies (continued)

Management estimates that the carrying value of restricted cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses were at amounts that reasonably approximate their fair value based on their short-term nature. Restricted cash equivalents consisting of commercial paper and treasury bills are reported at fair value utilizing Level 1 inputs.

Risks and Uncertainties

The Company's future operating results may be affected by several factors, including the continuance of the leases with retail and other operators, arrangements with airlines and the Port Authority Lease and Project. Terrorist attacks, economic recession, bankruptcy of major airlines, the impact of war and political turmoil, have previously had a negative impact on the airline industry and could impact the Company's operating results. While the Company has no reason to believe that its relationship with the airlines or the Port Authority will deteriorate, any interruption of these relationships or other adverse events affecting the airline industry would adversely affect the Company.

The Company in its operation and management of the terminal is at times subject to various lawsuits. The Company believes the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or its results of operations.

Insurance

The Company is required to carry certain insurance coverages pursuant to the Port Authority Lease, the DB Contract as well as the Loan Agreement. During the construction period, all major Project insurance policies are provided by the Company in the name of the DB Contractor. Company insurance policies during the construction period include a contractor construction insurance policy as well as insurance covering workers' compensation, employment practices, vehicles and company, directors and officer's liability. Prepaid insurance costs represent insurance premiums paid that are related to future periods and these amounts are included in Prepaid and other assets in the accompanying balance sheet. As of December 31, 2016, insurance costs of $71,010,494 are included in prepaid and other long-term assets. Prepaid insurance policy premiums are amortized ratably over the respective policy coverage period. During the construction of the Project, insurance costs relating to the project are recorded as costs in excess of billings. The portion of insurance related to the Existing Terminal B operation is expensed over the term of the policy, and is included in Overhead in the financial statements.

3. Port Authority Lease

On June 1, 2016, the Company entered a lease with the Port Authority with a term through December 30, 2050.

Under the terms of the Port Authority Lease, the Company assumed sole responsibility for the operation and management of the Existing Terminal B as an airline passenger terminal, and development, construction and operations (as an airline passenger terminal) of the New Terminal B, and construction of the New Improvements and Central Hall, as well as the operations of the Central Hall (see Note 1) in compliance with all applicable governmental requirements and Port Authority rules and regulations.

Port Authority Funding

The Port Authority Lease requires a funding of $1,000,000,000 for PFC Eligible Costs in connection with the construction of the New Terminal B, and demolition of the Existing Terminal B.

Base Rent

From Port Authority Lease Commencement to its expiration, the Port Authority shall receive an annual rent, payable in equal monthly installments, of $15,000,000 (the “Base Rent”). The Base Rent will remain fixed through the earlier of Substantial Completion of the New Terminal B, or December 31, 2019. Thereafter, Base Rent shall increase annually at the greater of CPI (not to exceed 6%), or 2%. Per ASC 840, rent expense related to the Base Rent is accounted for on a straight-line basis over the term of the Port Authority Lease. The deferred portion of the Base Rent reflected in the financial statements totals $3,093,586 and is included in Other long-term liabilities in the accompanying financial statements. Total rent expense recorded by the Company as of December 31, 2016 is $11,843,586, and is reflected as a reduction of operating revenues in the Statement of Operations and Comprehensive Loss

First Additional Land Rent

The Company must pay the Port Authority $500,000 on December 1st of each calendar year commencing in the year in which Substantial Completion occurs.

3. Port Authority Lease (continued)

Second Additional Rent

The Port Authority Lease provides for additional rent (the “Second Additional Rent”) to be paid to the Port Authority by the Company. The Second Additional Rent will consist of:

(1) A one-time payment, paid after Substantial Completion of the New Terminal B, of agreed upon percentage of certain excess revenues and cost savings from construction of the New Terminal B and demolition of the Existing Terminal B, and

(2) Annually after Substantial Completion, a certain percentage of net cash flow after debt service and required reserve funding, as permitted by the agreements related to the Series 2016 Bonds (the “Loan Agreements”).

The following is a schedule of future minimum Base Rent commitments under the Port Authority Lease at December 31, 2016:

Fiscal year ended December 31	
2017	$ 15,000,000
2018	15,000,000
2019	15,000,000
2020	15,300,000
2021	15,606,000
Thereafter	617,499,444
	$ 693,405,444

4. Leases – Tenants

The Company leases concession spaces to third parties under operating leases. Total rental income, , under these operating leases was $2,787,548 of minimum rentals and $7,130,694 of contingent rentals (based upon sales volume), for a total of $9,918,242 for the year ended December 31, 2016, which is reported in Retail Revenue within the Statement of Operations and Comprehensive loss.

4. Leases – Tenants (continued)

Future minimum rentals on non-cancelable operating leases at December 31, 2016 were as follows:

Year ended December 31,

Operating leases	
2017	$ 7,431,708
2018	4,954,472
Total	$ 12,386,180

5. Accounts Receivable

At December 31, 2016, accounts receivable included the following:

Airlines	$ 851,015
Port Authority of NY and NJ	65,438,825
Other accounts receivable	3,423,158
Total receivables	$ 69,712,998

6. Property and Equipment

At December 31, property and equipment consisted of the following:

	Useful Life in Years	2016
Fixed assets – equipment	5	$ 57,177
Fixed assets – leasehold improvements	6	2,449,987
Fixed assets – construction in progress	–	281,712
Concession acquired leasehold improvement	2	1,685,358
Property and equipment, gross		4,474,234
Less accumulated depreciation and amortization		(398,078)
Property and equipment, net		$ 4,076,156

7. Accounts Payable and Accrued Expenses

At December 31, accounts payable and accrued expenses included the following:

Accounts payable – trade	$ 8,719,947
Accrued payroll	923,678
Accrued expenses and security deposits	435,690
Accounts payable and accrued liabilities	$ 10,079,315

8. Transactions with Members

Included in Accounts Payable, related parties and Other long-term liabilities, related parties at December 31, 2016 is $109,824,061 owed to Vantage Airport Group Ltd, Vantage Airport Group Management Ltd, Meridian Infrastructure and Skanska/Walsh.

As part of the Management Agreement, LGP is provided with certain secondees from Vantage Airport Group or their affiliates, and these secondees provide management services throughout the year. The secondment arrangements are ongoing for the duration of the Management Agreement. In addition, under the Management Agreement, certain services related to assistance with various concessions are provided. These services were also provided by the individual Members. The services provided have included, but are not limited to, the payment of the initial start-up costs (including all costs related to the initial bid and acceptance of the Company under the Port Authority Lease), acting as directors on the Company's Board, maintenance of the back-office systems, and working or consulting on behalf of the Company. The Company reimburses the Members for the cost of providing these services. The total amount of costs incurred by the Company in relation to services provided by the Members and the secondment arrangements for the year ended 2016 totaled $62,594,314. Of this amount, $3,168,977 remained outstanding as of December 31, 2016, and is included in Accounts payable, related parties on the accompanying balance sheet.

As discussed in Note 1, Skanska USA Building Inc. and Skanska USA Civil Northeast Inc., considered related to one of the Member's, and therefore partial owner of the Company provides services under the DB Contract. In addition, the Company provides the DB Contractor with office space, facilities, storage space, and parking areas. The total amount of costs charged to the Company under the DB Contract was $667,041,698 for the year ended December 31, 2016, and is included in project costs that are expensed as a component of costs of sales as revenue is recognized. Of this amount, $102,787,162 remained outstanding as of December 31, 2016, and is included in Accounts payable and accrued expenses on the accompanying balance sheet.

8. Transactions with Members (continued)

As discussed in the Management Fees section of Note 2, Vantage Management provides services under the Management Agreement. Under the terms of the agreement, Vantage Management provides certain operation and maintenance and related services for the Company. The total amount of costs charged to the Company per the Management Contract, for Base Fee and Incentive Fee was $7,233,333 for the year ended December 31, 2016, and is included in operating expenses, as management fees, as well as project costs that are expensed as a component of costs of sales as revenue is recognized. Of this amount, $3,358,333 remained outstanding as of December 31, 2016, and is included in accounts payable and related parties on the accompanying balance sheet.

As discussed in the Contributions section of Note 1, each Member secured its obligation to make capital contributions to the Company via Equity Letters of Credit totaling $66,666,667. Each Member is entitled to be reimbursed for their costs of these Equity Letters of Credit. The total amount of costs incurred by the Company in relation to this reimbursement for the year ended December 31, 2016, was $3,517,808 and is included as an operating expense in Overhead (also see Overhead, Note 2). Of this amount, $509,589 remained outstanding as of December 31, 2016, and is included in Accounts payable, related parties on the accompanying balance sheet.

Project costs include certain transaction costs that were paid to the Members upon Financial Close in consideration of the development of the business opportunity represented by the Project. Total transaction costs paid to related parties were $56,625,259 and were recorded as construction costs in the statement of operations and comprehensive loss.

9. Long-Term Debt

The Company’s long-term debt includes the Series 2016 Bonds with gross principle amount of $2,410,380,000 with an unamortized net premium and debt issuances costs of $195,483,547. The bondholders, bond insurer and collateral agent have placed certain restrictions on the Company’s ability, among other things, to incur additional debt, pay or make member distributions, sell assets, enter into transactions with affiliates and merge or consolidate with other entities. The Company is required to pledge, assign, and grant to the collateral agent, a Lien on the Collateral as defined in accordance with the provision of the various loan documents. The Series 2016 Bonds are secured by a Leasehold Mortgage.

9. Long-Term Debt (continued)

In accordance with FASB Accounting Standards Update No. 2015-03 *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the balance sheet as a direct reduction to the related debt liability and amortized. During the design and construction of the New Terminal B and demolition of the Existing Terminal B, debt issuance costs are recorded as costs in excess of billings in accordance with ASC 835. As of December 31, 2016, the net premium recorded to costs in excess of billings was $1,200,000. Upon completion of the New Terminal B, debt issuance costs will be recognized as interest expense.

The Company will pay its obligations under the Loan Agreements, with regards to the Series 2016 Bonds, during construction, from the bond proceeds and revenues derived from the Existing Terminal B, and upon completion of the New Terminal B, from revenues received from the operation of the New Terminal B facilities, including payments from airlines and concession providers. The Series 2016 Bonds are secured by (1) the Loan Agreements, (2) moneys and obligations held by the Trustee, and (3) the Leasehold Mortgage held by the collateral agent (the "Collateral Agent") pursuant to an agreement amongst the Company, Collateral Agent and Trustee, the "Collateral Agency Agreement." The Collateral Agency Agreement also allows for monitoring all Restricted fund activity including reserve deposits and accounts required under the Port Authority Lease and Loan Agreements.

The Company is required, in connection with the Series 2016 Bonds, to comply with certain covenants and disclosures (the "Continuing Disclosure(s)"), and has entered an agreement (the "Continuing Disclosures Agreement") with an agent (the "Disclosure Dissemination Agent") to assist in providing the Continuing Disclosures. Required Continuing Disclosures under the Disclosure Dissemination Agreement are due monthly, quarterly and annually. The annual requirements, due 120 days after year-end, include, (1) issuance of the audited financial statements, (2) Debt Service Coverage results for the year most recently ending (requirement does not commence until Substantial Completion of the New Terminal B), (3) Debt Service Reserve Requirements, such requirements occur at each Construction Milestone, with the first milestone not scheduled until, approximately, June 2018. (4) Five-year schedule of Major Maintenance Reserve Requirement (does not occur until after Substantial Completion of the New Terminal B), and (5) Airline traffic information.

9. Long-Term Debt (continued)

The Series 2016 Bonds require interest and principal payments in accordance with the interest and principal payment schedule of the Series 2016 Bonds. The Series 2016 Bonds is a combination of the Series 2016A Bonds and Series 2016B Bonds, with semi-annual maturity dates commencing on July 1, 2024, and with final maturity on January 1, 2051. The Series 2016A Bonds and Series 2016B Bonds bear interest at rates ranging from 3.02% to 5.25%. Interest is payable semi-annually in arrears on the 1st day of January and July. The effective interest rate after taking into account the amortization of the debt issuance premium and debt issuance costs is 3.23% to 4.71%.

10. Employee Savings Plan

The Company has an Employee Savings Plan (Plan) which permits participants to make contributions by salary deduction pursuant to section 401(k) of the Internal Revenue Code. No employer contribution is made on these deductions. In addition, the Company makes a percentage contribution on behalf of each employee to their individual 401(k) account based upon a percentage of salary regardless of whether the employee is an active contributor in the 401(k) plan. The Company’s contributions to the plan were $77,114 for the year ended December 31, 2016 and are included in Salaries and benefits in the Statement of Operations and Comprehensive Loss.

11. Commitment and Contingencies

The Company has a commitment under the Port Authority Lease to provide funds to support the Port Authority’s busing program at the Airport. The commitment is in the amount of $200,000 to be paid June 1 of each year for a period of five years after the effective date of the Port Authority Lease.

12. Subsequent Event

The Company has evaluated any potential subsequent events through March 24, 2017, the date these financial statements were available to be issued. There were no subsequent events that required either recognition or disclosure.

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